PRICE PROGRAMS
of the
UNITED STATES DEPARTMENT OF AGRICULTURE

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INTRODUCTION

The United States Department of Agriculture, through the Commodity Credit Corporation (CCC) and the Production and Marketing Administration (PMA), carries on a number of operations aimed at protecting prices received by farmers for agricultural commodities. These operations, commonly referred to as "price programs," include the price-support program, the International Wheat Agreement, section 32 programs, the national school lunch program, marketing agreement and order programs, and the sugar program.

The price problem is approached a little differently through operations carried on under each of these programs.

Under the price-support program, price minimums or "floors" are established for a number of commodities. Support is achieved through loans, purchases, or agreements to purchase—or, in the case of some commodities, through a combination of these methods. Price support is mandatory for corn, cotton, wheat, tobacco, rice, peanuts, wool, mohair, tung nuts, honey, Irish potatoes, and milk and butterfat. Support for other commodities is permissive at the discretion of the Secretary of Agriculture.

The International Wheat Agreement is aimed at assuring markets for wheat to exporting countries and supplies of wheat to importing countries at equitable prices. Under the Agreement, the United States is entitled to sell specified quantities of wheat to importing countries in each of four marketing years beginning in 1949–50. Maximum prices are $1.80 per bushel each year, basis bulk wheat in store at Fort William-Port Arthur, Canada, in terms of United States currency. Minimum prices, on the same basis, drop 10 cents per bushel each year from the minimum of $1.50 in 1949–50.

Removal of surpluses, with consequent strengthening prices, is the objective of section 32 programs, which are financed from funds equal to 30 percent of the receipts collected under the customs laws. Funds available under section 32 (of Public Law No. 320, 74th Cong.) have been used to encourage exports, to increase utilization among people in low-income groups, and to divert farm commodities from normal channels of trade to new markets and new uses.

The national school lunch program encourages the increased domestic consumption of agricultural commodities. By doing so it

affords some protection of prices received by producers, and, at the same time, improves the nutritional status of the Nation's children. Schools participating in the program receive Federal funds to assist them in carrying on their operations. In addition, these schools receive foods purchased under authority of the National School Lunch Act, as well as a part of the surplus foods acquired under section 32 programs. Schools carrying on nonprofit lunch operations but not participating in the national school lunch program are eligible to receive surplus foods acquired under section 32 programs.

Marketing agreement and order programs enable farmers to establish and maintain orderly marketing conditions for certain commodities and their products. Milk order programs establish equitable minimum prices that handlers or distributors are required to pay producers. For commodities other than milk—principally tree fruits, tree nuts, and vegetables—minimum prices are not established; but prices are strengthened nevertheless under the order programs through control of quantity, quality, and rate of shipment from the producing area to all markets. The Secretary of Agriculture also may condition price support upon producers' agreeing to use marketing agreements and orders in areas designated by the Secretary.

The sugar program stabilizes price through the regulation of imports of sugar from foreign areas and marketings of sugar produced in domestic areas. Also, under the sugar program, the Department of Agriculture makes payments to domestic producers of sugar beets and sugarcane, provided they comply with certain labor, wage, price, and marketing requirements prescribed by law.

These programs are discussed in some detail in this publication under separate chapter headings.

Additional chapters have been included as background to the discussion of price programs. One of these covers parity, because most price-support operations are carried on with reference to specific percentages of parity. Another has to do with the supply program, which, although not a price program, nevertheless affects prices to some extent. Because of the tendency of many persons to refer to all price programs as "subsidy programs," a chapter on wartime consumer-subsidy programs has been included. Two chapters cover, respectively, the over-all functions and organization of the Commodity Credit Corporation and the Production and Marketing Administration, which are responsible for carrying out price programs.

The limitations of a publication of this type must be recognized. First, some of the programs are complex. In a short bulletin, no more than an outline of pertinent legislation and administrative procedures can be included. Second, legislative and administrative changes in the programs are frequent. As a result, a bulletin such as this can never be completely up to date for long.

It might be pointed out, in view of these limitations, that detailed information on phases of the programs not covered in this bulletin, or current information on operations announced after the bulletin becomes available, may be obtained from the Information Branch, Production and Marketing Administration, U. S. Department of Agriculture, Washington 25, D. C.

THE PRICE-SUPPORT PROGRAM IN 1950

Price-support operations carried on by the United States Department of Agriculture through the Commodity Credit Corporation (CCC) and the Production and Marketing Administration (PMA), establish price minimums or "floors" for a number of agricultural commodities. Levels of support and conditions of eligibility for price support on 1950 crops or production are directed or authorized by the Agricultural Act of 1949.

Support for 1950-crop **basic commodities**—corn, cotton, wheat, rice, tobacco, and peanuts—is required at 90 percent of parity. Acreage allotments for corn, wheat, and rice, and marketing quotas for cotton, peanuts, and tobacco will be in effect for 1950 crops. This meets a requirement of the Agricultural Act of 1949 that support is mandatory at 90 percent of parity for 1950-crop basic commodities if marketing quotas have not been disapproved and if acreage allotments or marketing quotas are in effect. Dollars-and-cents support prices for the basic commodities had not been announced at the time this bulletin went to press in April 1950.

Support also is mandatory in 1950 for certain **designated nonbasic commodities.** Prices of wool, honey, mohair, and 1950 crops of Irish potatoes and tung nuts must be supported at levels from 60 to 90 percent of parity. Support for milk and butterfat must be provided at a level between 75 and 90 percent of parity. In April 1950, wool was being supported at 90 percent of parity; milk and butterfat at approximately 79 percent of the parity-equivalent price for manufacturing milk; Irish potatoes at 60 percent of parity; and it had been announced that 1950-crop tung nuts would be supported at 60 percent of parity. In April 1950, levels of support for mohair and honey had not been announced.

Support for **other commodities** is permissive at any level not in excess of 90 percent of parity, after consideration by the Secretary of Agriculture of several factors, such as availability of funds, supply of the commodity in relation to demand, perishability of the commodity, and ability and willingness of producers to bring supplies into line with demand. Early in April 1950, the CCC had announced supports for "other" 1950 crops or productions at the following percentages of parity: Flaxseed and naval stores, 60 percent; and dry edible beans and eggs at prices that were approximately 75 percent of parity at the time support was announced. Support also had been announced for 1950-crop winter cover crop seed, the level of support being based on the parity price as of April 1, 1950.

EXAMPLES OF SUPPORT OPERATIONS

High lights of support operations carried out for 1949 crops, or of operations that had been announced in April 1950 for 1950 crops, are as follows:

BASIC COMMODITIES

Corn (1949 crop): National average support price, through loans and purchase agreements, $1.40 per bushel. Support price is based on 90 percent of the October 1, 1949, parity price.

Availability (of price-support loans or purchase agreements): From harvest through May 31, 1950.

Cotton, upland (1949 crop): National average support price, through loans, 27.23 cents per pound, gross weight, for $\frac{7}{8}$-inch Middling and 29.43 cents per pound, gross weight, for $1\frac{5}{16}$-inch Middling. Support price is based on 90 percent of the August 1, 1949, parity price.

Availability: From harvest through April 30, 1950, to individual producers and through May 15, 1950, to cotton cooperative marketing associations on cotton delivered to the associations by their producer members not later than April 30, 1950.

Peanuts (1949 crop): Support prices for base-grade farmers' stock peanuts; Spanish and Valencias, $209 per ton east of the Mississippi River and $204 per ton west of the Mississippi; Virginias, $199 per ton; and Runners, $187 per ton. Support prices reflect 90 percent of the parity price as of August 1, 1949.

Method of support and availability: (1) Purchases by the CCC of farmers' stock peanuts from producers, through cooperatives, during the period August 1, 1949, through June 15, 1950; (2) purchases by the CCC of farmers' stock peanuts during the period December 1, 1949, through April 30, 1950, from shellers who have paid producers the support price; (3) purchases by the CCC of No. 2 shelled peanuts and other kernels contained therein from shellers who have paid producers the support price; purchases, starting August 1, 1949, may be terminated after August 1, 1950, on written notice from the CCC; (4) loans by lending agencies during the period August 1, 1949, through June 15, 1950, to approved shellers who have paid producers the support price for farmers' stock peanuts—the loans being guaranteed by the CCC; and (5) loans by the CCC to producers on farmers' stock peanuts during the period August 1, 1949, through January 31, 1950.

Rice, rough (1949 crop): National average support price, through loans and purchase agreements, $3.96 per hundredweight or $1.78 per bushel. The support price is based on 90 percent of the August 1, 1949, parity price.

Availability: From harvest through January 31, 1950.

Tobacco (1949 crop): Support prices, through loans: Flue-cured, 42.5 cents per pound; burley, 40.3 cents; fire-cured, 30.2 cents; dark air-cured, 26.9 cents; Maryland, 41.8 cents; Connecticut Valley Havana seed, 42.9 cents; Connecticut Broadleaf, 40.6 cents; Northern Wisconsin, 25.7 cents; Southern Wisconsin, 19.6 cents; and Puerto Rican, 31.5 cents.

The rate for flue-cured tobacco is based on 90 percent of the July 1, 1949, parity price. Rates for all other types are based on 90 percent of the October 1, 1949, parity price, except that the rates for fire-cured and dark air-cured tobaccos are based on 75 percent and $66\frac{2}{3}$ percent, respectively, of the burley rate.

Latest date for obtaining loans: Flue-cured, February 28, 1950; burley, fire-cured, and dark air-cured, April 30, 1950; Maryland, September 30, 1950; Connecticut Valley Havana seed, Connecticut Broadleaf, Northern Wisconsin, and Southern Wisconsin, July 31, 1950; and Puerto Rican, September 30, 1950.

Wheat (1949 crop): National average support price, through loans and purchase agreements, $1.95 per bushel. Support price is based on 90 percent of the July 1, 1949, parity price.

Availability: From harvest through January 31, 1950.

DESIGNATED NONBASIC COMMODITIES

Milk and butterfat (January 1950–March 1951): Support prices: National averages of approximately $3.07 per hundredweight for manufacturing milk of 3.95 percent butterfat (yearly average test) and 60 cents per pound for butterfat. These support prices reflect approximately 79 percent of the parity equivalent price for manufacturing milk.

Support method: Purchases of not less than minimum carloads of dairy products from handlers and manufacturers at prices as follows:

Butter: 60 cents per pound for U. S. Grade A or higher and 58 cents per pound for U. S. Grade B.

Nonfat dry milk solids: 12.5 cents per pound for spray process and 10.5 cents per pound for roller.

Cheese, American or Cheddar: 31 cents per pound, for U. S. Grade A or higher, subject to adjustment for moisture content.

Evaporated milk: $3.95 per case.

Availability: January 1, 1950, through March 31, 1951.

Potatoes, Irish (1950 crop): National average farm-support price, through purchases, $1.01 per bushel or $1.68 per hundredweight. Support prices, which vary by States and areas, as well as seasonally, are based on 60 percent of the January 1, 1950, parity price.

Availability: From harvest through April 30, 1951, or such later dates as subsequently are established for each State or area.

Tung nuts (1950 crop): It has been announced that 1950-crop tung nuts will be supported at 60 percent of the parity price as of November 1, 1950.

Wool (1950 program): National average support price, through purchases, 45.2 cents per pound, based on the March 15, 1950, parity price.

Availability: April 1, 1950, through March 31, 1951.

Honey and mohair: Support is mandatory at levels between 60 and 90 percent of the parity price. No announcement of specific levels of support had been made at the time this bulletin went to press in April 1950.

OTHER COMMODITIES

Barley (1949 crop): Support price, through loans and purchase agreements, $1.09 per bushel, based on 72 percent of the parity price as of April 15, 1949.

Availability: From harvest through January 31, 1950.

Beans, dry edible (1950 crop): Support prices, through loans and purchase agreements, will reflect to producers an average of $6.30 per 100 pounds for thresher-run beans.

Availability: From harvest through January 31, 1951.

Cotton, American Egyptian (1949 crop): Support price, through loans, averages 56.01 cents per pound, based on 90 percent of the parity price as of August 1, 1949.

Availability: From harvest through April 30, 1950.

(Announcement has been made that there will be no support on the 1950 crop of long-staple cotton, including American Egyptian.)

Cottonseed (1949 crop): Support price, through loans at $49.50 and purchases at $46.50 per ton, based on 90 percent of the parity price as of August 1, 1949.

Availability: From harvest through December 31, 1949, except that purchases were made through February 15, 1950, where State PMA committees deemed an extension necessary or desirable.

Eggs (1950 production): The program seeks to support the average price received by all producers in all sections of the country for all eggs sold during 1950 at 37 cents per dozen, which is about 75 percent of the January 1, 1950, parity price. In April 1950, support was being given through the purchase of dried eggs from processors who must pay producers, primarily in the Middle West, the average prices specified by the CCC for shell eggs used in the manufacture of dried eggs. These prices, in April 1950, were 25 cents per dozen at the farm and 27 cents per dozen at the processing plant.

Availability: As necessary throughout 1950.

Flaxseed (1950 crop): Support price, through loans, purchase agreements, and purchases only from producers in 42 Texas counties for No. 1, 1950-crop flaxseed, $2.82 per bushel, Minneapolis basis. This support price reflects an average support level of 60 percent of the parity price as of April 1, 1950.

Availability: (Loans and purchase agreements): From harvest through October 31, 1950, in Arizona, California, and the Texas counties not designated under the direct purchase program; and from harvest through January 31, 1951, in all other States; (purchases in 42 Texas counties): From harvest through July 31, 1950.

Grain sorghums (1949 crop): Support price, through loans and purchase agreements, $2.09 per 100 pounds, based on 70 percent of the parity price as of April 15, 1949.

Availability: From harvest through January 31, 1950.

Gum naval stores (1950 production): Support price, through loans, is $86.82 per "production unit," which is 50 gallons of turpentine and 1,400 pounds of rosin. The support price, which is 60 percent of the April 1, 1950, parity price of the production unit, is allocated to turpentine and rosin at rates which are, initially, 40 cents per gallon, bulk, on turpentine and $4.77 per 100 pounds on rosin.

Availability: From April 1, 1950, through December 31, 1950, on naval stores produced in the calendar year 1950.

Hogs (October 1949 through March 1950): Monthly national average farm-support prices, based on 90 percent of the parity price as of October 1, 1949, adjusted for seasonal variation, were as follows: October, $16.40; November, $15; December, $14.20; January, $14.90; February, $15.50; and March, $16.20. Method of support: Through purchases of pork products from federally inspected slaughterers.

Availability: October 1, 1949, through March 31, 1950.

Oats (1949 crop): Support price, through loans and purchase agreements, 69 cents per bushel, based on 70 percent of the parity price as of April 15, 1949.

Availability: From harvest through January 31, 1950.

Peas, dry edible (1949 crop): Support price, through loans and purchase agreements: \$3.12 per 100 pounds for Alaska, Bluebell, Scotch Green, First and Best, Marrowfat, and White Canada varieties, and \$2.87 for Colorado White peas. These prices were based on U. S. No. 1 grade or better after normal cleaning. Peas of U. S. No. 2 grade or better were supported at 25 cents less per 100 pounds. All prices were based on 60 percent of the comparable parity price as of July 1, 1949.

Availability: From harvest through January 31, 1950.

(Announcement has been made that there will be no support on the 1950 crop.)

Rye (1949 crop): Support price, through loans and purchase agreements, \$1.27 per bushel, based on 72 percent of the parity price as of April 15, 1949.

Availability: From harvest through January 31, 1950.

Seed, hay and pasture grass (1949 crop): Support prices, through purchase agreements (in the case of lespedeza, through purchase agreements and loans):

Lespedeza: Common or Tennessee 76, 16 cents per pound; and Sericea, 15 cents.

Clovers: Alsike, 25 cents per pound; ladino (certified seed only), \$1.25; red, 35 cents; Hubam sweet, 8 cents; and white (Southern States), 45 cents. *Grasses (rates on basis of certified seed only except in case of wheat grasses):* Tall meadow fescue, 35 cents per pound; smooth brome, 16 cents; orchard, 15 cents; timothy, 6 cents; Sudan, 5 cents; and wheat grasses, 10 cents. *Range grasses:* Blue grama, 15 cents per pound; big bluestem, little bluestem, side oats grama, and switch grass, 20 cents per pound; sand bluestem and yellow Indiangrass, 25 cents; buffalo grass, 35 cents; weeping lovegrass and sand lovegrass, 50 cents per pound. Above prices were established at rates not exceeding 90 percent of the parity price as of July 1, 1949.

Availability: From harvest through January 31, 1950, for all seeds but lespedeza, for which availability was February 28, 1950.

Seed, Kobe lespedeza (1950 crop): Support price, through purchase agreements, farm- and warehouse-storage loans, and purchases from dealers who have paid growers the support price or better for clean seed, 12 cents per pound.

Availability: (Purchase agreements and loans): From harvest through December 31, 1950; (purchases from dealers): From harvest through January 31, 1951.

Seed, winter cover crop (1950 crop): National basic support prices per pound are as follows: Hairy vetch, 14.70 cents; common vetch, 6.57; Willamette vetch, 6.57; Austrian winter peas, 4.52; crimson clover, 16.30; blue lupine, 4.52; common ryegrass, 7.34; and rough peas, 6 cents per pound. Prices of eligible varieties will be supported through purchase agreements, farm- and warehouse-storage loans (except for blue lupine), and purchases from dealers who have paid growers the support price or better for clean seed.

Availability: (Purchase agreements and loans): From harvest through December 31, 1950; (purchases from dealers): From harvest through January 31, 1951.

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Soybeans (1949 crop): Support prices, through loans and purchase agreements, $2.11 per bushel for green and yellow soybeans grading U. S. No. 2 or better and $1.91 per bushel for brown, black, and mixed soybeans, based on 90 percent of the comparable price as of September 1, 1949.

Availability: September 1, 1949, through January 31, 1950.

Sweetpotatoes (1949 crop): Support price, through purchases, varies by periods and varieties from $1 to $2 per bushel. Support prices are based on 80 percent of the July 1, 1949, parity price.

Availability: From harvest through April 30, 1950.

Turkeys (1949 production): Support price, through purchases from producers, producers' agents, cooperative organizations, or from dealers (including processing firms), 25 to 35¼ cents per pound, which is about 90 percent of the parity price for the marketing season.

Availability: August 1 through December 31, 1949, and during July 1950.

(Announcement has been made that there will be no support on 1950 production of turkeys.)

QUESTIONS AND ANSWERS

Q. Where may producers obtain specific information on price-support operations applicable to their crops?

A. Through their county PMA committees. The committees also will assist producers in filling out necessary price-support documents.

Q. How are producers' prices supported?

A. By loans, purchase agreements, and purchases.

Q. How do loans support prices?

A. Price-support loans to producers are "nonrecourse"; that is, producers are not obligated to make good any loss incurred through a decline in the market price of the commodity put up as collateral. For example, the producer who obtains a loan on his wheat at the support price of $1.95 per bushel is not obligated to pay off his loan even though the market price of wheat at the time the loan matures is only $1.85. Instead, he delivers the wheat to the CCC and discharges his obligation in full. Thus, through the loan, the producer receives the support price just the same as though the CCC had originally purchased his wheat at $1.95 per bushel.

Q. Who makes price-support loans?

A. Most price-support loans are made by lending agencies approved by the CCC, the CCC agreeing to take over the loan from the lending agency if requested. The CCC also makes some direct loans.

Q. What is the interest rate on price-support loans?

A. A rate of 3 percent per year is charged on loans which are redeemed. No interest is charged when a commodity is delivered to satisfy a loan. In such cases, the CCC pays any interest charges that might be due a lending agency.

Q. On what general type of commodities are price-support loans made?

A. Storable commodities, such as cotton, tobacco, and grain. Being storable, they are satisfactory collateral for price-support loans.

Q. How may producers treat CCC loans for income tax purposes?

A. Under Section 123 of the Internal Revenue Code, a producer may elect to treat a CCC loan as income for the year in which the loan is received; but if he exercises this election in any year, he must continue on the same basis in subsequent years unless the Commissioner of Internal Revenue approves a change in treatment. If the producer treats the loan as income for the year received and later redeems and sells the collateral, the sales return—less the amount of the loan—is income for the year in which he sells the collateral.

If the producer elects not to treat the loan as income and redeems and sells the collateral or delivers the collateral to the CCC, the amount of the loan is income for the year in which the sale or delivery of collateral takes place.

Q. How do purchases support prices?

A. In two major ways: (1) By providing the producer an outlet for the commodity at the support price; and (2) by increasing the general price level of the commodity through the removing of excess supplies from the market.

Q. Prices of what types of commodities are supported through purchases?

A. Purchases are made, generally speaking, when it is not feasible to support prices through loans or purchase agreements. Prices of commodities such as potatoes, eggs, dairy products, and wool are supported through purchases.

Q. How are purchases made?

A. In several ways. For example, in 1949, Irish potatoes were purchased from eligible producers and dealers; dried eggs from processors who had paid producers stipulated prices for shell eggs; dairy products from manufacturers and handlers; while shorn wool was purchased from handlers, secondary handlers, and producers' pools, and pulled wool from pullers and pulled-wool handlers.

Q. What is a purchase agreement?

A. A purchase agreement is a method developed by the CCC in 1947 by which the producer is assured the support price for his commodity at the close of the marketing season.

A producer obtains a purchase agreement by paying a small service charge to his county PMA committee, and, at the same time, specifying the maximum amount of the commodity he might sell to the CCC. The agreement becomes effective when signed by the producer and approved for the CCC by the county PMA committee.

The CCC agrees to purchase at the applicable rate—which is equal to the loan rate or, where there is no loan program, at the announced purchase price—any quantity the producer elects to sell, up to and including the maximum quantity covered by the agreement, on the basis of weight, grade, and quality factors set forth by the CCC. For example, a producer may sign a purchase agreement covering 5,000 bushels of corn. He may, if he so elects, sell none to the CCC or he may sell any quantity up to and including 5,000 bushels. But, after specifying that 5,000 bushels is the maximum quantity he might sell to the CCC, he may not sell more than that quantity to the CCC.

The producer must, within a 30-day period specified by the CCC, declare his intention to sell under the purchase agreement, and then (1) turn over to the county PMA committee the warehouse receipts

issued by an approved warehouse representing the quantity of the commodity in storage he elects to sell, or (2), in the case of a commodity held in other than approved warehouse storage (including farm storage), notify the county PMA committee of his intention to sell, and, after the date of issuance of delivery instructions, make delivery within 15 days unless more time is granted him by the county committee. If loans as well as purchase agreements are available to producers of a commodity, such as is the case with corn, the period is generally the 30 days prior to the maturity of the loan. In any case, the CCC will not purchase commodities covered by agreements prior to the end of the 30-day period.

A purchase agreement provides a means of price support for the producer who is unable to store his commodities in eligible storage or who does not need the proceeds of a loan or who is not willing to encumber his collateral as required under a loan operation. A loan, on the other hand, meets the needs of the producer who desires the proceeds of the loan and who can meet loan requirements.

Both loans and purchase agreements were available to producers of 1949-crop corn, wheat, oats, barley, rye, grain sorghums, rice, dry edible beans, dry edible peas, flaxseed, and soybeans. Only purchase agreements were available to producers of 1949-crop winter cover crop seeds, most of the hay and pasture grass seeds, and tung nuts.

Q. Does the law specify the precise terms and conditions under which the CCC must carry on its price-support operations?

A. No. The law leaves the detailed terms and conditions of the operations to be administratively established. These are based on the nature of the commodity to be supported, the marketing structure, and other considerations.

Q. What support operations have been carried out for livestock?

A. Prices of beef cattle (and other cattle and calves) have not been supported. Although prices of wool have been supported since April 1943, prices of sheep and lambs, as such, have not been supported. Price-support programs for hogs were available, if needed, for a number of years; but no support purchases were made from July 1944 through March 1950.

Q. Does the CCC usually deal directly with producers in carrying on its price-support operations?

A. Yes. But in some cases, it is necessary to provide support indirectly. In supporting prices of eggs, for example, the CCC enters into contracts to purchase dried eggs from processors at a certain price, provided processors pay producers not less than a certain price for shell eggs. Producers thus receive the support directly from processors and only indirectly from the CCC. Also, in supporting some crops, such as tobacco, peanuts, and naval stores, the CCC deals with producers through producers' cooperatives.

Q. Does the CCC consider type or variety in establishing support prices?

A. Yes, if type or variety has been or is likely to be a factor in making for significant differences in the price at which the commodity is marketed.

Type or variety is considered when it comes to peanuts, tobacco, dry edible beans, rice, and a few other commodities.

On the other hand, type or variety is not a factor when it comes to corn, upland cotton, and several other crops.

Q. Does the CCC make an allowance for normal seasonal differentials in establishing support prices?

A. In the case of potatoes and hogs, yes.

The following tabulation shows, by way of illustration, the allowance the CCC made for normal seasonal differentials in establishing support prices for hogs during the period October 1949 to March 1950:

Support prices per 100 pounds, hogs, by months, for the period October 1949 to March 1950

Month:	*Price per hundredweight, dollars*
1949	
October	16.40
November	15.00
December	14.20
1950	
January	14.90
February	15.50
March	16.20

Q. Does the CCC consider quality in establishing support prices?

A. Yes. Support prices generally reflect differences in quality to the extent practicable.

Q. Does the CCC consider location in establishing support prices?

A. Yes, where location is a factor. For example, support prices for 1949-crop corn vary among counties within the commercial corn-producing area.

The Agricultural Act of 1949, section 403, provides:

> Appropriate adjustments may be made in the support price for any commodity for differences in grade, type, staple, quality, location, and other factors. Such adjustments shall, so far as practicable, be made in such manner that the average support price for such commodity will, on the basis of anticipated incidence of such factors, be equal to the level of support determined as provided in this act. Middling seven-eighths inch cotton shall be the standard grade for purposes of parity and price support.

Q. Does the support price change every time the parity price changes?

A. No. The Agricultural Act of 1949, section 401 (d) provides:

> The level of price support for any commodity shall be determined upon the basis of its parity price as of the beginning of the marketing year or season in the case of any commodity marketed on a marketing year or season basis and as of January 1 in the case of any other commodity.

The national average loan and purchase rate for 1949-crop corn, for example, is $1.40 per bushel—a level based on 90 percent of the October 1, 1949, parity price. The support price for corn will be $1.40 per bushel through June 30, 1950, even though the parity price rises above or falls below the parity price as of October 1, 1949.

Q. Does the CCC support futures prices?

A. No. The CCC does not buy or sell commodities in futures markets. The CCC deals with producers through county PMA committees, cooperative marketing associations, processors, dealers, ginners,

handlers, or producers' pools. Price-support operations of the CCC, however, may indirectly affect futures prices by establishing minimums or floors for cash or spot prices.

Q. What are marketing quotas?

A. Marketing quotas are a means of regulating the marketing of commodities when supplies become excessive. In April 1950, the only commodities for which marketing quotas can be made effective are the six basic commodities—corn, upland cotton, wheat, rice, peanuts, and tobacco—and long-staple cotton.

This regulation is effected as follows: The quantity of a given commodity that will provide adequate supplies—the national marketing quota—is determined. This quantity usually is translated into terms of acreage. The acreage is allotted among States, counties, and, finally, among individual farms (in the case of corn, among individual farms in the commercial corn-producing area). The marketing quota for an individual farm is, in effect, the quantity produced on the acreage allotment.

Marketing quotas must be proclaimed whenever supplies of corn, cotton, wheat, and rice reach certain levels. (The Agricultural Adjustment Act of 1938, together with amendments made by the Agricultural Acts of 1948 and 1949, specifies what those levels are.) In the case of peanuts, marketing quotas must be proclaimed every year, regardless of the supply level. A national marketing quota must be proclaimed for each marketing year for each kind of tobacco for which a national marketing quota was proclaimed for the immediately preceding marketing year, and a quota must be proclaimed for Virginia sun-cured tobacco each year a quota is proclaimed for fire-cured tobacco.

The latest dates for proclaiming marketing quotas with respect to the next marketing year are as follows: Corn, November 15; cotton (upland and long-staple), October 15; wheat, July 1; rice, December 31; peanuts, November 31; and tobacco, December 1.

Following the proclamation of a marketing quota, a referendum is held. If at least two-thirds of the producers voting in the referendum favor marketing quotas, the quotas become effective and apply to all producers of the commodity. If more than a third of the producers voting in the referendum do not favor quotas, no marketing quotas will be in effect. Marketing quotas approved by producers may be suspended or terminated by the Secretary of Agriculture if such action is warranted by an increase in export demand or by a national emergency.

Marketings by the producer in excess of the farm marketing quota are subject to penalties, as follows: 50 percent of the basic loan rate applicable to cooperators in the case of corn and wheat; 50 percent of the parity price for cotton and rice as of June 15 of the calendar year in which the crop is produced; 40 percent of the preceding season's average price in the case of tobacco; and 50 percent of the basic loan rate applicable to cooperators in the case of peanuts, except that if the total acreage of peanuts picked or threshed on the farm does not exceed the acreage of peanuts picked or threshed on the farm in 1947, payment of the marketing penalty will not be required on any excess peanuts which are delivered to or marketed through an agency or agencies designated by the Secretary of Agriculture.

Marketing quotas affect the level of price support for the basic commodities, as follows:

If producers have not disapproved marketing quotas, and if marketing quotas or acreage allotments are in effect, the level of price support to cooperators for 1950-crop corn, cotton, wheat, rice, and peanuts shall be 90 percent of the parity price; for 1951 crops, from 80 to 90 percent, but not less than the level determined on the basis of the supply percentage; and for 1952 and later crops, from 75 to 90 percent, but not less than the level determined on the basis of the supply percentage. In any year, support at only 50 percent of the parity price would be available if producers disapprove marketing quotas and then only to producers who cooperate with acreage allotments.

In the case of tobacco, support at 90 percent of the parity price shall be available to cooperators any year marketing quotas are in effect. Prices of tobacco will not be supported, however, if producers disapprove marketing quotas.

(Also see the discussion on this page with respect to acreage allotments.)

Table 1 shows certain data with respect to marketing quotas approved by producers for 1950-crop cotton, peanuts, and tobacco. (Acreage allotments were proclaimed for 1950-crop corn, rice, and wheat, but not marketing quotas.)

TABLE 1.—*National marketing quotas and acreage allotments for 1950-crop cotton, peanuts, and tobacco, and 1949 planted acreages, United States*

Commodity	Marketing quota for 1950 crop	Acreage allotment for 1950	1949 planted acreage
		Acres	*Acres*
Cotton	11,733,750 bales	[1] 21, 000, 000	27, 359, 000
Peanuts	643,000 tons	2, 294, 194	2, 433, 000
Tobacco:			
Burley	496,000,000 pounds	421, 500	449, 200
Flue-cured	1,097,000,000 pounds	969, 792	936, 400
Fire-cured	62,500,000 pounds	56, 834	60, 400
Dark air-cured	30,200,000 pounds	26, 225	28, 000
Virginia sun-cured	3,579,000 pounds	3, 600	3, 600

[1] The additional acreage that will be allotted to farms pursuant to sec. 344 (f) (5) of the Agricultural Adjustment Act of 1938, as amended by Public Law 471, 81st Cong., 2d sess., was not known at the time this publication went to press in April 1950.

Q. What are acreage allotments?

A. Acreage allotments are a means of adjusting supplies of field crops. This is accomplished by apportioning the national acreage (in the case of corn, the acreage in the commercial corn-producing area) required to produce adequate supplies of a commodity among States, counties, and, finally, among individual farms.

As was pointed out in the discussion of marketing quotas (see page 12), acreage allotments for basic commodities are used as the

basis for arriving at the marketing quota for the individual farm. If acreage allotments are in effect in conjunction with a marketing quota for a basic commodity, farmers who produce the commodity on acreage in excess of their acreage allotments must pay penalties on marketings of the excess production of the commodity.

But acreage allotments may be proclaimed for the basic commodities, even though marketing quotas are not proclaimed—and for nonbasic commodities as well. If acreage allotments are in effect, but not in conjunction with a marketing quota, farmers who produce the commodity on acreage in excess of their acreage allotments are not subject to penalties on marketings of the "excess" production of the commodity, but their eligibility for price support is affected.

Section 401 (c) of the Agricultural Act of 1949 provides that "compliance by the producer with acreage allotments, production goals, and marketing practices (including marketing quotas when authorized by law), prescribed by the Secretary, may be required as a condition of eligibility for price support."

The Department of Agriculture has adopted an over-all policy with respect to this provision. The policy, which applies only to 1950 crops and which should not be considered as setting a precedent for 1951 and subsequent crops, is as follows:

1. Intercrop compliance:

Compliance on each 1950 crop subject to acreage allotments will be determined independently of eligibility for price support on any other crop subject to acreage allotments. For example, a producer may obtain full price support on wheat irrespective of whether he has planted in excess of his acreage allotment for cotton, potatoes, or any other crop.

2. Compliance on individual commodities:

(*a*) *Where a producer owns or has an interest in only one farm producing a commodity subject to acreage allotments:*

Basic commodities: Price support will be available only to a producer who is a cooperator; that is, a producer on whose farm the acreage of the commodity does not exceed the farm acreage allotment for the commodity. No price support will be given to noncooperators.

Nonbasic commodities: Price support will be available only to a producer who does not exceed his farm acreage allotment.

(*b*) *Where a producer owns or has an interest in more than one farm producing a commodity subject to acreage allotment:*

Tobacco: Compliance will be determined on the basis of operations on each farm considered independently. Accordingly, a tobacco producer will receive price support on each farm on which the acreage allotment has not been exceeded, irrespective of whether the tobacco acreage allotment has been exceeded on any other farm in which the producer has an interest in the tobacco crop.

Potatoes: Compliance will be determined on the basis of operations on all farms in which the producer has an interest. A producer shall be eligible for price support only if the acreage of potatoes on each individual farm in which he has an interest does not exceed the acreage allotment for potatoes. For example, a potato producer who exceeds his potato acreage allotment on any farm will not be eligible for price support on any potatoes produced on any farm in which he has an interest.

Wheat, cotton, corn, rice, and dry edible beans: Eligibility will be determined on the basis of operations on all farms in which the producer has an interest as well as on individual farms. A producer shall be eligible for price support if the sum of his shares of the acreage of such commodity on all farms in which he has an interest does not exceed the sum of his shares of the acreage allotments for such commodity on all farms in which he has an interest. But he shall receive price support only on the production from those individual farms where the acreage allotment has not been exceeded.

For example, a producer who keeps within his total wheat allotment as well as the wheat allotment for each farm in which he has an interest will be eligible for price support on his entire wheat production. However, a producer who keeps within his total wheat allotment but exceeds the wheat allotment on any individual farm or farms in which he has an interest will be eligible for price support only on the wheat produced on those farms in which the wheat allotment was not exceeded; and a producer who exceeds his total wheat allotment is not eligible for any wheat price support, irrespective of whether he keeps within the wheat allotment on some of the farms in which he has an interest.

Peanuts: The policy had not been completely formulated as this bulletin went to press in April 1950.

TABLE 2.—*Acreage allotments for 1950-crop corn, rice, wheat, dry edible beans, and potatoes, as of April 1950, and 1949 planted acreages, United States*

Commodity	1950-crop acreage allotment	1949 planted acreage
	Acres	*Acres*
Corn	[1] 46, 246, 973	57, 579, 000
Rice	1, 593, 112	1, 839, 000
Wheat	68, 944, 099	84, 931, 000
Dry edible beans	(2)	[3] 1, 900, 000
Potatoes	[4] 1, 137, 800	1, 242, 200

[1] Commercial area only.
[2] 80 percent of 1949 planted acreages of eligible classes.
[3] All classes.
[4] Commercial acreage only (3 acres or more per farm).

Q. Have acreage allotments ever been used in programs other than price-support?

A. Yes, in agricultural conservation programs.

Under the Soil Conservation and Domestic Allotment Act, as amended, land uses and farm practices were divided into two general classifications—soil-depleting crops and practices and soil-building crops and practices. Acreage allotments through 1943 were used as a device for adjusting the production of soil-depleting crops and for encouraging soil-conserving and soil-building practices. This was accomplished as follows:

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National acreage allotments were determined individually for the soil-depleting crops—cotton, corn, wheat, rice, tobacco, peanuts, and potatoes—and as a group for others. These national acreage allotments were apportioned among individual farms.

Compliance with the allotments by individual producers was purely voluntary. If the producer complied with allotments established for his farm, he became a "cooperator" and was entitled to "adjustment payments." Otherwise he received no payments.

Since 1943 Congress has appropriated funds each year for the specific purpose of encouraging soil-building and soil- and water-conserving practices. These include, among others, expanding the acreage of soil-conserving crops, such as grasses and legumes; controlling erosion by contour cultivation, terracing, and strip cropping; and conditioning the soil by the application of lime and fertilizer. The amount of the "conservation payment" received by the individual farmer—up to certain maximums specified in the annual appropriation acts—has depended upon the number and extent of the practices carried out by the producer.

Q. Does the Department of Agriculture have permanent authority to carry on price-support operations?

A. Yes. Section 5 (a) of the Commodity Credit Corporation Charter Act, which gives the CCC a permanent Federal charter, provides that the CCC may "support the prices of agricultural commodities through loans, purchases, payments, and other operations."

The Agricultural Act of 1949 goes further and specifies the commodities for which support is mandatory or permissive and the levels—or range of levels—at which they must or may be supported.

Q. What are legal provisions with respect to disposal of commodities acquired by the CCC under price-support operations?

A. The following provisions of the Agricultural Act of 1949 are applicable:

SEC. 407. The Commodity Credit Corporation may sell any farm commodity owned or controlled by it at any price not prohibited by this section. In determining sales-policies for basic agricultural commodities or storable nonbasic commodities, the Corporation should give consideration to the establishing of such policies with respect to prices, terms, and conditions as it determines will not discourage or deter manufacturers, processors, and dealers from acquiring and carrying normal inventories of the commodity of the current crop. The Corporation shall not sell any basic agricultural commodity or storable nonbasic commodity at less than 5 per centum above the current support price for such commodity, plus reasonable carrying charges. The foregoing restrictions shall not apply to (A) sales for new or byproduct uses; (B) sales of peanuts and oilseeds for the extraction of oil; (C) sales for seed or feed if such sales will not substantially impair any price-support program; (D) sales of commodities which have substantially deteriorated in quality or as to which there is a danger of loss or waste through deterioration or spoilage; (E) sales for the purpose of establishing claims arising out of contract or against persons who have committed fraud, misrepresentation, or other wrongful acts with respect to the commodity; (F) sales for export; (G) sales of wool; and (H) sales for other than primary uses.

SEC. 408 (a). A commodity shall be considered storable upon determination by the Secretary that, in normal trade practice, it is stored for substantial periods of time and that it can be stored under the price-support program without excessive loss through deterioration or spoilage or without excessive cost for stor-

age for such periods as will permit its disposition without substantial impairment of the effectiveness of the price-support program. (Sec. 408 (a) was included by Congress to clarify the meaning of the word "storable," as used in sec. 407 and elsewhere.)

SEC. 416. In order to prevent the waste of food commodities acquired through price-support operations which are found to be in danger of loss through deterioration or spoilage before they can be disposed of in normal domestic channels without impairment of the price-support program, the Secretary of Agriculture and the Commodity Credit Corporation are authorized, upon application by the Munitions Board or any other Federal agency and on such terms and under such regulations as may be deemed in the public interest, to make such commodities available to any such agency for use in making payment for commodities not produced in the United States. Any such commodities which are not disposed of pursuant to the foregoing sentence may be made available by the Secretary and the Commodity Credit Corporation at the point of storage at no cost, save handling and transportation costs incurred in making delivery from the point of storage, as follows in the order of priority set forth: First, to school-lunch programs; and to the Bureau of Indian Affairs and Federal, State, and local public welfare organizations for the assistance of needy Indians and other needy persons; second, to private welfare organizations for the assistance of needy persons within the United States; third, to private welfare organizations for the assistance of needy persons outside the United States. (Public Law 471, 81st Cong., 2d sess., amended this provision to permit the payment of transportation and handling costs on 1949-crop potatoes distributed domestically; but on potatoes for disposition to private or international nonprofit welfare or international relief organizations for the assistance of needy persons outside the United States limited such payments to movement of potatoes to the nearest port.)

The following provision—a portion of section 2 of Public Law 85, Eighty-first Congress, an amendment to the Commodity Credit Corporation Charter Act—also is applicable:

Notwithstanding any other provision of law, the Commodity Credit Corporation is authorized, upon terms and conditions prescribed or approved by the Secretary of Agriculture, to accept strategic and critical materials produced abroad in exchange for agricultural commodities acquired by the Corporation. Insofar as practicable, in effecting such exchange of goods, normal commercial trade channels shall be utilized and priority shall be given to commodities easily storable and those which serve as prime incentive goods to stimulate production of critical and strategic materials. The determination of the quantities and qualities of such materials which are desirable for stock piling and the determination of which materials are strategic and critical shall be made in the manner prescribed by section 2 of the Strategic and Critical Materials Stock Piling Act (60 Stat. 596). Strategic and critical materials acquired by Commodity Credit Corporation in exchange for agricultural commodities shall, to the extent approved by the Munitions Board of the National Military Establishment, be transferred to the stock pile provided for by the Strategic and Critical Materials Stock Piling Act; and when transferred to the stock pile the Commodity Credit Corporation shall be reimbursed for the strategic and critical materials so transferred to the stock pile from the funds made available for the purpose of the Strategic and Critical Materials Stock Piling Act, in an amount equal to the fair market value, as determined by the Secretary of the Treasury, of the material transferred to the stock pile. Nothing contained herein shall limit the authority of the Commodity Credit Corporation to acquire, hold, or dispose of such quantity of strategic and critical materials as it deems advisable in carrying out its functions and protecting its assets.

Q. What is the CCC's profit-and-loss record on price-support operations?

A. Net realized losses of the CCC on price-support operations for the fiscal year 1949 totaled $254,761,994. (See table 3.)

Net realized losses on price-support operations from the inception of the CCC on October 17, 1933, through June 30, 1949, totaled $386,810,562.

TABLE 3.—*Price-support operations, Commodity Credit Corporation: Loans made, purchases, and net program gain or loss,[1] by commodity, fiscal year 1949*

Commodity	Loans made	Purchases	Net program gain or loss [1]
	Dollars	*Dollars*	*Dollars*
Basic commodities:			
Corn	464, 809, 275	5, 128, 838	66, 187*
Cotton, upland	822, 014, 583	582	1, 023, 816*
Peanuts	50, 587, 343	122, 565, 445	23, 794, 910*
Rice	657, 941	21, 869	1, 786
Tobacco	107, 700, 705		115, 524
Wheat	520, 270, 386	120, 210, 571	3, 740, 046*
Designated nonbasic commodities:			
Butter		3, 729, 561	
Honey		742, 960	470, 414*
Milk, dried		10, 629, 470	149, 335
Potato starch		701, 974	30, 900
Potatoes, Irish	29, 529, 907	188, 938, 429	203, 917, 503*
Tung oil		178, 066	306, 844*
Wool		60, 597, 173	12, 707, 148*
Other nonbasic commodities:			
Barley	38, 315, 738	10, 923, 198	672, 499*
Beans, dry edible	33, 104, 138	10, 901, 749	3, 988
Cotton, American Egyptian	157, 215		2*
Eggs, dried and frozen		85, 628, 754	773, 476*
Flax fiber			155, 842*
Flaxseed	7, 899, 774	141, 731, 519	1, 000, 131
Fruits, dried		24, 117, 227	445, 757
Grain sorghums	48, 087, 540	5, 294, 855	3, 590, 175*
Hemp and hemp fiber			8, 946
Linseed oil		81, 929, 854	163, 784
Naval stores	19, 532, 098		420, 566*
Oats	10, 032, 954	3, 006, 834	45, 714*
Peas, dry edible	4, 502	1, 933, 062	140
Potatoes, sweet		233, 831	1, 985
Rye	941, 862	405, 078	2, 186*
Seeds			364, 337*
Soybeans	15, 569, 722	8, 438, 419	26, 054
Sugar beets		5, 851	4, 658, 082*
Turkeys			495*
Vegetables, canned			82*
Total	2, 169, 215, 683	887, 995, 169	254, 761, 994*

[1] Losses are indicated by an asterisk (*). The total net realized loss of $254,761,994 includes price-support gains and losses realized on liquidation of loans outstanding and inventories owned at the beginning of the fiscal year as well as price-support operations initiated during the fiscal year 1949. Price-support inventories and loans outstanding totaled $2,351,476,891, and losses on ultimate disposition of these loans and inventories were estimated at $356,545,650, as of June 30, 1949.

WHEAT, CORN, AND OTHER GRAINS

Q. How does a producer obtain price support on grain?

A. Prices are supported through loans on farm-stored or warehouse-stored grain and through purchase agreements. In each instance, the producer's first point of contact is the county PMA committee. Depending upon the type of support desired or applicable, the procedures are as follows:

Loans on farm-stored grain: The county PMA committee (after the producer has applied for a loan) sends a field inspector to the producer's farm to check up on the quantity stored, to inspect the storage facilities in the light of the CCC's storage requirements, to take a sample of the grain to be tested for grade, and to affix a seal to the bin or crib. On the basis of reports from the field inspector and the grader—and assuming that the producer's grain meets all other requirements—the committee makes out a note and a chattel mortgage for the signature of the producer. The producer, with these documents, may obtain his loan from a lending agency approved by the CCC, usually a local bank. But, if he wishes, he may obtain a loan direct from the CCC. In both cases the producer is required to pay a service charge based on the number of units of the commodity put under loan.

Loans on warehouse-stored grain: The loan procedure for grain stored in approved warehouses is similar to that for farm-stored grain. The warehouse receipt issued on warehouse-stored grain, however, eliminates the need for (1) checking by the field inspector, (2) grading of the grain again by the CCC, and (3) filling out a chattel mortgage. The service charge is approximately half that charged for farm-storage loans.

The producer, in the case of both farm- and warehouse-stored grain, may repay his loan to the lending agency or to the CCC at any time before his note matures and is charged interest at the rate of 3 percent per year only for the period the loan was in effect. After such payment, the note is returned to the producer and, in the case of a farm-storage loan, the mortgage is released. If the producer delivers grain to the CCC in repayment of his loan, there is no interest charge.

Purchase agreements: See the discussion beginning on page 9.

Q. Why are loans and purchase agreements on grain available to producers for only part of the marketing season?

A. Nothing in the law requires the CCC to confine availability of loans and purchase agreements to only part of the marketing season. (In the case of wheat, for example, loans and purchase agreements are available from harvest through January 31 of the year following that in which the wheat was harvested.) But from an administrative standpoint, this policy has much in its favor. It enables the Department of Agriculture to complete all operations with respect to the old crop before starting operations on the new. And it is believed that such a policy imposes no hardship on producers. Availability of price support extends well beyond the harvesting season so that each farmer can receive price protection for any or all of his eligible grain.

Q. Why is it that grain prices sometimes drop below the support level?

A. A producer must provide safe storage, either on the farm or in approved warehouses off the farm, to be eligible for CCC loans. A producer also ought to have safe storage, although it is not a requirement, to take full advantage of purchase agreements, because the quality of the producer's grain is one of the bases for payment at the time the producer delivers his grain to the CCC. Thus, a lack of storage facilities is a factor that causes many producers to sell their grain at going market prices, which may be below the support price.

Then, too, some producers, even though able to meet storage requirements of the CCC, are not interested in the price-support program when the market price is equal to or only slightly below the support price.

Q. Does the CCC assist farmers in the financing of farm storage facilities?

A. Yes. The CCC makes loans to farmers for the purchase or construction of farm storage to the extent of 85 percent of the cost of the facility. These loans, bearing interest at the rate of 4 percent a year, are payable in five annual installments, or earlier at the farmer's option. Payments may be deferred, however, in a year when the farmer, because of conditions over which he has no control, is not in position to utilize the storage space. In the event of crop failure in an area, for example, payments for that year may be deferred, extending, in effect, for a year the time during which the total storage loan is to be repaid. Justification for such deferral is dependent upon local conditions as appraised by county PMA committees.

Q. What kind of farm storage must a producer have to be eligible for CCC loans?

A. The cribs or bins used must meet the approval of the producer's county committee. In general, farm cribs or bins that are substantial enough to provide safe storage will meet the requirements of most county committees. But the producer who intends to build permanent storage, or who plans to rig up temporary storage, should consult first with his county committee.

In the case of cribs for ear corn, county committees check closely on crib widths to make sure, when permissive maximum widths are exceeded, that proper precautions to prevent corn spoilage have been taken. Permissive maximum widths vary, by counties, from 6 to 10 feet.

Q. Has the CCC encouraged expansion of commercial grain-storage facilities?

A. Yes. In areas where storage facilities are inadequate, the CCC will enter into storage agreements with cooperative associations and other commercial warehousing agencies guaranteeing use of 75 percent of new storage capacity for a period of 3 years in completely new storage structures, and for a period of 2 years in new additions to existing storage structures.

The CCC does not finance grain elevator construction. The Bank for Cooperatives (Farm Credit Administration), however, is authorized by section 417 of the Agricultural Act of 1949 to finance up to 80 percent of the cost of construction of new storage facilities built by cooperatives which have received a commitment under this program. It is expected, too, that financing of new storage facilities erected by other than cooperative associations will be facilitated through the use guarantee.

Q. Has the CCC expanded its own facilities for storing CCC-owned grains?

A. Yes, in areas where commercial storage facilities are inadequate. In June 1949, the CCC owned approximately 45-million-bushel capacity of bin-type storage. By April 1950, contracts had been entered into for the purchase of additional facilities having a capacity of about 410 million bushels.

PEANUTS

Q. How does the producer obtain price support on peanuts?

A. In two major ways, as follows:

(1) He may sell his crop to the CCC through one of three peanut cooperatives. In this case, he hauls his peanuts to the nearest warehouse acting as receiving agent for the cooperative. There his peanuts are graded by a Federal or Federal-State inspector. The receiving agency then fills out a bill of sale and a sight draft. The producer takes the draft issued by the receiving agency to a local bank and receives from the bank the amount called for on the draft. The local bank, not a fiscal agent of the CCC, handles the draft merely as a service to the producer.

The three peanut cooperatives are: The Growers Peanut Cooperative, Franklin, Va., handling the peanut program in the Virginia-North Carolina area; the Georgia-Florida-Alabama Peanut Association, Camilla, Ga., which covers the southeastern area; and the Southwestern Peanut Growers Association, Gorman, Tex., carrying on the program in the Southwest.

The contract between the CCC and a cooperative requires that the cooperative, among other things, shall furnish adequate facilities for receiving, handling, storing, and marketing farmers' stock peanuts. The cooperative, in turn, enters into contracts with receiving agents, which are scattered throughout the peanut-producing areas. The CCC, for its part, agrees to pay the cooperative for administrative expenses incurred in carrying out its contract with the CCC.

(2) Producers also may sell their peanuts to shellers who, under terms of a contract with the CCC, agree to pay producers the support price. As in the case of peanuts handled by a cooperative, the peanuts delivered to the sheller by the producer are graded by a Federal or Federal-State inspector. After the quality has been determined, the producer receives the support price direct from the sheller.

The CCC has entered into contracts with shellers located throughout the various producing areas. In return for the shellers' paying the support price for farmers' stock peanuts, the CCC agrees to purchase any such farmers' stock peanuts offered by the shellers between December 1 and the following April 30, and to purchase from shellers the shelled peanuts produced by the sheller in his own plant and offered to the CCC. Buying prices per pound represent not more than the average cost to the CCC for a like quantity of sound mature kernels in farmers' stock peanuts.

The CCC guarantees loans made by lending agencies to shellers approved by the CCC, the CCC stipulating, however, the maximum amount that will be loaned to each sheller. The loans, fully recourse and secured by farmers' stock peanuts in possession of the shellers, are made at the support price less $10 per ton. The loans are made by banks with their own funds under the terms of a contract with the CCC which provides that the CCC will purchase the loans upon demand.

NOTE.—CCC price-support procedures make it possible for producers to obtain loans on warehouse-stored peanuts during the period from August 1 to January 31 of each marketing year. Producers, however, have preferred the protection afforded by CCC's purchases at the support price. Because of this preference of producers, the CCC has never made any loans on peanuts.

TOBACCO

Q. How does the producer obtain price support on tobacco?

A. Procedures vary somewhat among producing areas but the following is a generalized description of the manner in which the producer obtains price support:

Producers who obtain advances on tobacco belong to or become members of 1 of the 17 producer cooperative associations of the continental United States and Puerto Rico. The associations, under their contract with the CCC, handle all operations connected with making advances to producers on tobacco. These operations of the association are financed by the CCC through banks acting as servicing agents for the CCC. The funds thus made available are used to make advances to producers (generally through auction warehouses) and to reimburse carriers, redrying plants, and storage warehouses for services performed on behalf of the association. Administrative expenses of the associations are advanced by the CCC to the extent that the service charges collected from producers (generally a minimum of 12 cents per 100 pounds) fail to cover all expenses. These advances are subject to budget approval by the CCC and become a part of the over-all loan.

In areas where tobacco is sold at auction, the producer trucks his cured tobacco to an auction warehouse where it is weighed, identified by a warehouse sales ticket, and segregated in "baskets"—lots or piles—and displayed on the auction floor. A Government tobacco inspector grades the tobacco in each basket and marks the grade on the warehouse sales ticket. At the time of sale, the tobacco is auctioned to the highest bidder. If the high bid for any particular basket does not exceed the loan rate—the published rate for that grade—that basket is consigned to "loan," provided the grower is a cooperator under the marketing quota program. The grower's eligibility is established by his county PMA committee which issues to the eligible producer a "within marketing quota" card. After the sale is completed, the producer is paid for his tobacco, including payment for all tobacco that went under loan. In addition to the check issued, the farmer is also given a participation record covering the quantity of the tobacco that went under loan. A copy of the participation record goes to the association, together with the auction warehouseman's billing for the day's operations.

The loan tobacco accumulated by the association during the day is trucked to the plant of a redrier or a packer under contract with the association. The tobacco, segregated by grade, is run through a redrying machine and packed in hogsheads—although some tobacco is merely "stiffened" through a natural drying process and some is not processed at all prior to packing. The redrier or the packer sends a report to the association showing the quantity of loan tobacco received from each auction warehouse. The association matches the redrier's or the packer's report with the warehouseman's billing and draws a check to the warehouseman for the total day's business. The packer transports the packed hogsheads to a storage warehouse where warehouse receipts are issued in favor of the association.

Over a period of time the tobacco placed under loan by the association is marketed on the basis of prices established jointly by the CCC and the association. When all the tobacco is sold, net gains, if

any, are distributed by the association to growers. The distribution of net proceeds is determined by the participation record prepared at the warehouse at the time the grower's tobacco was consigned to loan. The procedure for obtaining advances on cigar leaf tobacco is essentially the same as for other types with the exception that cigar leaf tobacco is not sold at auction. The producer delivers his tobacco to a warehouse or assembly point maintained by the association and receives his advance on the basis of a U. S. grade certification.

COTTON

Q. How does a producer obtain price support on cotton?

A. He delivers his ginned cotton to a warehouse approved by the CCC and obtains a warehouse receipt, or, if warehouse space is not available and arrangements can be made with railroads and others, a bill of lading in lieu of a warehouse receipt. But to obtain a loan, he must have his cotton classed by a Board of Cotton Examiners of the Department of Agriculture. Classing involves one of two procedures. In one instance, the producer authorizes the warehouseman who is storing the cotton to draw samples, which are sent to an office of the board. The board, when it finishes the classing, sends the warehouseman a form indicating the "class," that is, the grade and staple length of the cotton. The same information is furnished the producer. In the other instance, if the producer belongs to a cotton-improvement group organized under the Smith-Doxey Act, and is eligible for free classing, an individual designated by the group draws the samples and forwards them to the board. The board, after classing the samples, informs the producer of the class. After the class has been obtained, the producer completes a loan form, with which, together with the warehouse receipt or bill of lading, he obtains his loan from a lending agency (usually a local bank) or direct from the CCC.

Producer members of cooperative marketing associations obtain loans through the associations at the same rate and in much the same manner as through approved warehouses. The associations then tender to the CCC documents covering the cotton they acquire as collateral and receive a loan on the cotton from the CCC.

Producers also may obtain loans on farm-stored cotton, although very few loans of this type are made and then, generally, only when there happens to be a shortage of commercial warehouse space. The loan procedure for farm-stored cotton is very similar to that for grain. The county PMA committee arranges for inspecting storage facilities and aiding the producer in completing loan documents. The loans are evidenced by notes, which are secured by chattel mortgages covering the cotton. With the note and chattel mortgage, the producer obtains his loan from a lending agency.

Q. How does the producer dispose of loan cotton?

A. He has three courses open to him (provided he has not obtained his loan as a member of a cooperative cotton marketing association).

(1) He may sell his "equity" in the cotton under loan, the equity representing the difference between the amount due on the loan and the amount the producer can receive in the local market. The selling of the equity is a simple transaction, involving only the signing of the equity transfer on the Producers' Loan Statement in the presence

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of a witness who is authorized by the county PMA committee to witness such transactions. The buyer of the equity must present the equity transfer within 15 days and must repay the loan against the cotton within 15 days after the warehouse receipts are received by the bank designated by the equity purchaser to receive repayment of the CCC's loan, otherwise title to the cotton reverts to the producer. Practically all producers who redeem cotton under loan do so by means of the equity transfer.

(2) He may repay his loan and sell the cotton in the open market.

(3) He may choose not to repay the loan and not to redeem the cotton, inasmuch as his loan from the CCC is a nonrecourse loan.

Q. What is a cotton "pool" (for producers' accounts)?

A. A pool may be established when the CCC determines that loans which have not been redeemed by the maturity date will be liquidated by pooling instead of liquidation by other methods. A pool enables producers to participate in any net profits that might be made from the sale of cotton placed under loan and not redeemed.

The CCC, in pooling cotton, has followed the practice of giving producers notice by public announcement that cotton still under loan on a certain date would be pooled for producers' accounts. Thus, producers are given an opportunity to redeem their cotton or sell their equities in the cotton before it is pooled. After the pooling date, however, producers may not redeem their cotton or sell their equities. No payments are made to producers at the time their cotton is placed in the pool. Proceeds from the sale of the cotton in the pool are used to satisfy the amounts due on the loans, including interest and charges that have accrued. Any amount remaining after all the cotton in the pool is disposed of, and all loans satisfied, is distributed among producers in proportion to their interest in the pool.

For the crop years 1938 to 1948, cotton has been pooled for producers' accounts.

PRICE SUPPORT AFTER 1950

Provisions of the Agricultural Act of 1949 with respect to price support after 1950 are as follows:

BASIC COMMODITIES

CORN, COTTON, WHEAT, RICE, AND PEANUTS

For 1951 crops: Support at not more than 90 percent of parity nor less than (1) 80 percent of parity or (2) a "floor" between 80 and 90 percent of parity, as called for by "sliding scales" set forth in the act (the exact level of support between the floor and 90 percent being discretionary with the Secretary of Agriculture), is mandatory to cooperators [1] if marketing quotas have not been disapproved and if acreage allotments or marketing quotas *are* in effect.

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[1] For corn, cotton, wheat, rice, and tobacco, a "cooperator" is defined as a producer who does not knowingly exceed his farm acreage allotment. For peanuts, a cooperator is (1) a producer on whose farm the acreage of peanuts picked or threshed does not exceed the farm acreage allotment, or (2) a producer on whose farm the acreage of peanuts picked or threshed on the farm does not exceed the total acreage of peanuts picked or threshed on the farm in 1947, provided that any peanuts picked or threshed in excess of the farm marketing quota are delivered to or marketed without penalty through an agency or agencies designated by the Secretary of Agriculture.

Support at 50 percent of parity would be available to producers who comply with acreage allotments if producers disapprove marketing quotas.

Support at not more than 90 percent of parity nor less than the level of support between 75 and 90 percent of parity called for by the sliding scales (the exact level of support within this range being discretionary with the Secretary of Agriculture) is mandatory to cooperators if producers have not disapproved marketing quotas, and if acreage allotments or marketing quotas are *not* in effect.

For 1952 and later crops: Not more than 90 percent of parity nor less than the level of support between 75 and 90 percent of parity called for by the sliding scales (the exact level of support within this range being discretionary with the Secretary of Agriculture) is mandatory to cooperators if producers have not disapproved marketing quotas.

Support at 50 percent of parity would be available to producers who comply with acreage allotments if producers disapprove marketing quotas.

TOBACCO

For 1951 and later crops: Support at 90 percent of parity is mandatory to cooperators if marketing quotas are in effect, except that fire-cured tobaccos will be supported at 75 percent of the burley rate; and dark air-cured tobaccos, including Virginia sun-cured tobacco, will be supported at 66⅔ percent of the burley rate.

No support will be available if producers disapprove marketing quotas.

Support at not more than 90 percent of parity nor less than the level of support between 75 and 90 percent of parity called for by the sliding scales (the exact level of support within this range being discretionary with the Secretary of Agriculture) is mandatory to cooperaters if producers have not disapproved marketing quotas.

The sliding scales referred to in the foregoing paragraphs are as follows:

The level of support shall be not less than the following percentage of the parity price:	*If the supply percentage as of the beginning of the marketing year is—*			
	For tobacco,[1] corn, wheat, rice, and undesignated nonbasic (other) commodities[2]—		*For cotton and peanuts—*	
	Over	*Not over*	*Over*	*Not over*
90	----	102	----	108
89	102	104	108	110
88	104	106	110	112
87	106	108	112	114
86	108	110	114	116
85	110	112	116	118
84	112	114	118	120
83	114	116	120	122
82	116	118	122	124
81	118	120	124	125
80	120	122	125	126
79	122	124	126	127
78	124	126	127	128
77	126	128	128	129
76	128	130	129	130
75	130	----	130	-----

[1] Except as otherwise provided.
[2] See section headed "Other commodities," p. 26

OTHER PRICE-SUPPORT PROVISIONS APPLICABLE TO BASIC COMMODITIES

1. For the crops of 1950–53, inclusive, support prices for basic commodities—and only basic commodities—will be based on parity prices calculated by the "old" or "new" parity formulas, whichever results in the higher price. Beginning with 1954 crops, "new" or "transitional" parity prices will be applicable to the basic commodities. (See the section headed Parity, which begins on p. 48.)
2. Price support for noncooperators is discretionary with the Secretary of Agriculture at a level not in excess of the level for cooperators.
3. Price support for cooperators outside the commercial corn-producing area is 75 percent of the level of price support to cooperators in the commercial corn-producing area.

DESIGNATED NONBASIC COMMODITIES

Wool (including mohair): Price support for wool (including mohair) is to be established at such level from 60 to 90 percent of parity, inclusive, as the Secretary of Agriculture determines is necessary to encourage an annual production of approximately 360,000,000 pounds of shorn wool. The House Conference Report on the Agricultural Act of 1949 states that wool and mohair may be treated as separate commodities in fixing the level of support, and that the term "wool" includes pulled, as well as shorn wool.

Tung nuts, honey, and Irish potatoes: Support is mandatory at any level from 60 to 90 percent of parity, inclusive.

Public Law 471, Eightieth Congress, second session, provides that "for the crop year of 1951 and thereafter no price support shall be made available for any Irish potatoes unless marketing quotas are in effect with respect to such potatoes." Legislation that would authorize marketing quotas for Irish potatoes was under consideration by Congress as this bulletin went to press in April 1950.

Milk and butterfat: Price support is mandatory at the level from 75 to 90 percent of parity, inclusive, that the Secretary of Agriculture determines will assure an adequate supply. Such price support is to be provided through loans on, or purchases of, the products of milk and butterfat.

The House Conference Report on the Agricultural Act of 1949 indicates that the term "products" was intended to mean butter, cheese, evaporated milk, and dried milk powders.

OTHER COMMODITIES

Price support for "other" commodities is permissive at any level not in excess of 90 percent of parity. In determining whether support will be provided for other commodities, and in fixing the level of such support, the following factors are to be considered: (1) The supply of the commodity in relation to the demand therefor; (2) the price levels at which other commodities are being supported and, in the case of feed grains, the feed values of such grains in relation to corn; (3) the availability of funds; (4) the perishability of the commodity; (5) the importance of the commodity to agriculture and to

the national economy; (6) the ability to dispose of stocks acquired through a price-support operation; (7) the need for off-setting temporary losses of export markets; and (8) the ability and willingness of producers to keep supplies in line with demand.[2]

So far as feasible, price support is to be made available to cooperators on any storable nonbasic agricultural commodity [3] for which a marketing quota or marketing agreement or order program is in effect [4] at levels not in excess of 90 percent of parity and not less than the level between 75 and 90 percent of parity called for by the sliding scales set forth in the act. But the Secretary of Agriculture may provide for support at a lower level than that called for by the sliding scale if, after consideration of the eight factors listed above, he determines it to be desirable and proper.

PROVISIONS APPLICABLE TO ALL COMMODITIES

Conditions of eligibility: The Secretary of Agriculture is authorized to condition eligibility of producers for price support upon compliance with acreage allotments, production goals, and marketing practices, including marketing quotas when authorized by law. (The House Conference Report on the Agricultural Act of 1949 makes it clear that this provision includes authority to require the use of marketing agreements and orders on potatoes and other nonbasic commodities issued pursuant to the Agricultural Marketing Agreement Act of 1937, as amended, in production or marketing areas specified by the Secretary as a condition of eligibility for price support.)

Price support above 90 percent of parity: Price support at levels in excess of 90 percent of parity is authorized for any agricultural commodity if the Secretary determines after a public hearing that increased price support is necessary to prevent or alleviate a shortage of a commodity essential to the national welfare or to increase or maintain the production of a commodity in the interest of national security.

Forward pricing: The Secretary is directed, so far as practicable, to announce "dollars-and-cents" levels of price support for field crops in advance of the planting season and for other agricultural commodities in advance of the beginning of the marketing year or season. In announcing the levels of support, the Secretary is directed to use the latest statistics and data available. Announced levels of support would not be reduced, however, even though actual parity prices, when determined, were less than the estimated parity prices used in fixing the announced levels of support.

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[2] These factors also must be considered when establishing a support level higher than the minimum prescribed for a commodity for which support is mandatory.

[3] For the purposes of the Agricultural Act of 1949, a commodity is considered storable if, in normal trade practice, it is stored for substantial periods of time, and if it can be stored under the price-support program without excessive loss through deterioration or spoilage or without excessive cost for storage for such periods as will permit its disposition without substantial impairment of the price-support program.

[4] At present there is legal authority to establish marketing quotas only for the basic commodities and long-staple cotton—and the coverage of marketing orders is limited.

THE INTERNATIONAL WHEAT AGREEMENT

The International Wheat Agreement has two objectives: To assure (1) markets for wheat to exporting countries at equitable and stable prices, and (2) supplies of wheat to importing countries. With the United States a party to the Agreement, operations under the Agreement tend to strengthen market prices for wheat in the United States.

The Agreement has a "life" of 4 years, covering the marketing years 1949–50 through 1952–53. Under the Agreement, as of April 1950, four exporting countries may ship a maximum of about 456 million bushels of wheat to 34 importing countries, not including Costa Rica, Germany, and Liberia, which have not yet deposited "instruments of acceptance" but which are expected to do so. The United States is entitled to export about 169 million bushels to the 34 importing countries.[5] The United States (and other exporting countries) are obligated to sell wheat only at the maximum price of $1.80 per bushel, basis bulk wheat in store at Fort William-Port Arthur, Canada, in terms of United States currency. Importing nations are obligated to buy wheat only at the minimum price—$1.50 per bushel in 1949–50, $1.40 in 1950–51, $1.30 in 1951–52, and $1.20 in 1952–53. Between the floor and ceiling, wheat is free to move at prices agreed upon between buyer and seller.

The following questions and answers may clarify major provisions of the International Wheat Agreement:

Q. What countries are exporters?

A. As of April 1950, the United States, Australia, Canada, and France.

Q. What countries are importers?

A. As of April 1950, Austria, Belgium, Bolivia, Brazil, Ceylon, Cuba, Denmark, Dominican Republic, Ecuador, Egypt, El Salvador, Greece, Guatemala, Haiti, India, Ireland, Israel, Italy, Lebanon, Mexico, Netherlands, New Zealand, Nicaragua, Norway, Panama, Peru, Philippines, Portugal, Saudi Arabia, Sweden, Switzerland, Union of South Africa, United Kingdom, and Venezuela.[5]

Q. What proportion of the world wheat trade is covered?

A. The yearly total of about 456 million bushels of wheat included in the Agreement is about half the current annual world trade in wheat (if Germany comes under the Agreement, the quantity would amount to about three-fifths), and compares with a prewar (1933–34—1937–38) average annual trade of 545 million bushels.

Q. Does the Agreement limit United States wheat exports to about 169 million bushels?

A. No. If the United States meets its commitments under the Agreement, it is free to export any additional quantity of wheat, at any price, to any country. It is expected that wheat exports from the United States over the 4 years covered by the Agreement will average about 300 million bushels.

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[5] Not included are Costa Rica, Germany, and Liberia, which had not, in April 1950, deposited formal instruments of acceptance with the U. S. State Department and were not, in April 1950, active participating members. Formal acceptance by these countries would raise the United States quota in 1949–50 to 235.3 million bushels; in 1950–51 to 223.5 million; in 1951–52 to 215.5 million; and in 1952–53 to 213.5 million bushels.

Q. How does the United States quantity compare with that of other exporters?

A. Canada, 204 million bushels; United States, 169 million bushels; Australia, 80 million; and France, 3 million. (See footnote 5, p. 28.)

Q. How was the quantity for each exporting nation determined?

A. By negotiation. Both importers and exporters submitted quantities which they were prepared to purchase or sell. It was necessary to equate total purchases and sales. The division of the export total among exporters was based roughly on a combination of factors relating to ability to supply, historical trade patterns, and supply responsibilities outside the Agreement.

Q. Is wheat flour included in the guaranteed quantities?

A. Yes. Within the total guaranteed sales and purchases, the amount of wheat flour to be supplied by exporters and accepted by importers is determined by agreement between buyer and seller in each transaction. If importing and exporting countries cannot agree on the amount of wheat flour to move, the question is decided by the International Wheat Council.

Q. How do commercial exporters sell wheat or flour under the Agreement?

A. The CCC announces daily rates of export payments. Knowing the level of the export rate, exporters may make sales to eligible importers at Agreement prices and report such sales to CCC. The CCC confirms the sales as eligible for export payment if the country to which the sale is made has a quota, if the price is right, and if other program terms and conditions are met. After receipt of such confirmation, the exporter may proceed to deliver the wheat or flour. After presenting proof of export, and after meeting other terms and conditions of the program, the exporter may collect the export payment from the Government by filing the appropriate voucher form. The export payment, of course, covers the difference between the United States market price for wheat or flour and the Agreement price at which wheat or flour is sold to importers.

Q. How does the Agreement relate to the ECA program?

A. The Agreement complements the ECA program insofar as it promotes economic recovery by assuring supplies of wheat to ECA countries at reasonable prices.

Q. How many bushels of wheat have been sold by the United States under the Agreement?

A. From August 1, 1949, through April 13, 1950, sales under the Agreement totaled about 98 million bushels, including wheat and wheat flour in wheat equivalent.

Q. Does the Agreement contain "escape" clauses?

A. Yes.

An exporting country may be relieved of all or part of its obligation in a particular crop year by reason of a short crop.

An importing country may be relieved of all or part of its obligations for a particular crop year by reason of the necessity to safeguard its balance of payments or monetary reserves. Such relief, however, is only given by a majority vote of the Council. In taking this decision, the Council is directed to seek and take into account the opinion of the International Monetary Fund—where the matter concerns a

country which is a member of the Fund—on the existence and extent of the necessity for relief in the crop year concerned.

Finally, provision is made for any exporting or importing country which considers its national security to be endangered by the outbreak of hostilities to withdraw from the Agreement.

Q. What is the penalty for breach of the Agreement?

A. A country may suffer loss of its voting right or may be expelled from the Agreement.

Q. Why was Canadian wheat and Canadian currency specified as the base?

A. Historically, Canada has exported wheat to most of the participating countries. Canadian wheat, furthermore, is generally regarded as the standard for transactions in world trade.

Q. What is the Canadian dollar equivalent in United States currency?

A. At the time the Agreement was written, one United States dollar was equal to one Canadian dollar. As a result of the devaluation of the Canadian dollar in September 1949, the Canadian dollar is now (April 1950) worth only 90 percent of the value of the United States dollar. Thus, the maximum wheat agreement price, basis bulk wheat in store at Fort William-Port Arthur, Canada, is $1.98 in terms of Canadian currency, whereas it remains $1.80 in terms of United States currency. Minimum prices are similarly affected.

Q. Do equivalent maximum and minimum prices for United States wheat vary from those quoted for No. 1 Manitoba Northern Wheat in store at Fort William-Port Arthur?

A. Yes. Two variable factors make for differences between the United States and the Canadian price.

First, transportation costs on wheat exported from a United States Gulf or Atlantic seaport to the importing country are less than from Fort William-Port Arthur to the importing country. The maximum equivalent prices at the United States ports will be higher because of this differential. Because of a special provision, the equivalent maximum price for wheat in store at United States Pacific seaports is set at $1.80 per bushel for wheat of quality equal to No. 1 Manitoba Northern. (*Minimum* equivalent prices for wheat f. o. b. at all United States seaport locations vary as ocean transportation costs from any given port to the United Kingdom vary.)

Second, price equivalents for United States wheat may vary because of quality differentials between No. 1 Manitoba Northern and quality of the wheat being exported. The quality differential is mutually agreed upon between the importing and exporting parties concerned. In actual practice such quality differentials vary up or down from time to time depending upon available supplies of the kind of wheat desired by the importer and the kind offered by the exporter.

Q. Does the fulfillment of United States obligations require a subsidy?

A. It requires a subsidy whenever United States prices for wheat are over the maximum price.

Q. What agency pays the subsidy?

A. The Commodity Credit Corporation, which is reimbursed from funds appropriated for that purpose.

Q. Under what legislation does the CCC make subsidy payments under the Agreement?

A. The International Wheat Agreement Act of 1949.

Q. How is the Agreement administered?

A. By an International Wheat Council, composed of a voting member from each of the exporting and importing countries in the Agreement. The Council has headquarters at London, England. Each importing and exporting country undertakes to accept as binding all decisions of the Council under the Agreement.

Q. Does each member of the Council have equal vote?

A. No. Provision is made for a proportional system of representation. Importing countries hold 1,000 votes and exporting countries 1,000 votes. The total number of votes held by importers and exporters, 2,000, is divided among the members of that group in the proportion which their respective guaranteed purchases or sales bear to the total purchases or sales. As the Agreement now stands, the United States holds 370 of the 1,000 votes held by exporting countries.

SECTION 32 PROGRAMS

Congress in 1935 passed legislation aimed, in general, at widening the market outlet for farm commodities. This legislation (sec. 32 of Public Law No. 320, 74th Cong.) authorizes the Department of Agriculture to channel surplus agricultural commodities to useful outlets both at home and abroad. Surplus removal operations carried on under section 32 directly or indirectly tend to strengthen prices received by farmers for many commodities.

Section 32 provides that an amount equal to 30 percent of the gross receipts from duties collected under the customs laws during each calendar year shall be made available to the Secretary of Agriculture during each following fiscal year for carrying out the authorized programs. Section 32 specifically authorizes the Secretary of Agriculture: (1) To encourage exports of agricultural commodities through payment of benefits or indemnities for losses incurred, or by payments to producers in connection with the production of that part of any agricultural commodity required for domestic consumption; (2) to encourage domestic consumption of agricultural commodities by diverting them from normal channels of trade or by increasing their utilization among people in low-income groups; and (3) to reestablish farmers' purchasing power by making payments in connection with the normal production of any agricultural commodity for domestic consumption.

The Agricultural Act of 1949 amended section 32 to provide that "The sums appropriated under this section shall be devoted principally to perishable nonbasic agricultural commodities (other than those designated in title II of the Agricultural Act of 1949) and their products." The commodities designated in title II, some of which are perishable, are wool, mohair, tung nuts, honey, Irish potatoes, whole milk, butterfat, and the products of milk and butterfat.

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The Foreign Assistance Act, section 112 (f), provides that "in order to encourage utilization of surplus agricultural commodities pursuant to this or any other act providing for assistance or relief to foreign countries, the Secretary of Agriculture, in carrying out the purposes of clause (1), section 32, Public Law 320, Seventy-fourth Congress, as amended, may make payments, including payments to any Government agency procuring or selling such surplus agricultural commodities, in an amount not to exceed 50 per centum of the sales price (basis free along ship or free on board vessel, United States ports), as determined by the Secretary of Agriculture, of such surplus agricultural commodities."

The National School Lunch Act, section 9, provides, in part, that "commodities purchased under the authority of section 32 . . . may be donated by the Secretary to schools, in accordance with the needs as determined by local school authorities, for utilization in the school-lunch program under this act as well as to other schools carrying out nonprofit school lunch programs and institutions authorized to receive such commodities."

Tables 4, 5, and 6 summarize the various section 32 programs carried on during the fiscal year 1949 (July 1, 1948–June 30, 1949), the latest period for which complete information is available.

EXPORT PROGRAMS

TABLE 4.—*Quantities of agricultural commodities exported under authority of sec. 32, and funds obligated, fiscal year 1949*

Commodity	Quantity exported	Funds obligated
		Dollars
Cotton ... bales	18, 840	1, 884
Eggs ... pounds	7, 675, 403	5, 100, 000
Flaxseed ... bushels	4, 011, 887	4, 161, 373
Fruits:		
Citrus juice, blend ... cases	656	328
Grapefruit, fresh ... boxes	212, 195	175, 192
Grapefruit, canned ... cases	1, 600	1, 325
Grapefruit juice ... do	7, 741	8, 626
Oranges, fresh ... boxes	513, 422	582, 758
Orange juice ... gallons	29, 987	16, 652
Pears, fresh ... boxes	55, 733	25, 080
Prunes, dried ... tons	57, 698	3, 251, 272
Raisins, dried ... do	54, 120	3, 340, 204
Peanuts ... do	73, 718	10, 222, 277
Total		[1] 26, 881, 971

[1] Export payments on cotton were at the rate of 10 cents per bale. On all other commodities, payments were made at varying rates but did not exceed 50 percent of the sales price, as authorized by section 112 (f) of the Foreign Assistance Act

DOMESTIC DIRECT DISTRIBUTION (PURCHASE) PROGRAMS

TABLE 5.—*Quantities of agricultural commodities purchased under authority of sec. 32 (for distribution to school lunch programs, institutions, and persons in low-income groups), and funds obligated, fiscal year 1949*

Commodity	Quantity purchased	Funds obligated
		Dollars
Eggs, dried .... pounds..	6, 313, 053	8, 877, 029
Fruits:		
Apricots, dried .... tons..	(1)	24, 327
Apples, canned .... pounds..	(1)	12, 980
Apples, dried .... tons..	(1)	50, 506
Applesauce, canned .... pounds..	(1)	178, 598
Figs, dried .... tons..	(1)	29, 552
Orange juice, canned .... pounds..	(1)	76, 998
Peaches, dried .... tons..	(1)	152, 650
Plums, canned .... pounds..	(1)	45, 186
Prunes, dried .... tons..	3, 381	884, 059
Raisins, dried .... do....	4, 483	923, 672
Honey .... pounds..	11, 592, 600	1, 659, 406
Nonfat dry milk solids .... do....	14, 000, 000	1, 850, 000
Vegetables:		
Beans, snap .... bushels..	10, 811	23, 766
Cabbage .... bags (50-pound)..	121, 000	134, 676
Irish potatoes .... bushels..	[2] 5, 412, 878	10, 609, 574
Sweetpotatoes .... do....	153, 117	293, 939
Total	....	25, 766, 918

[1] Obligations shown represent transportation, packaging, handling, and other charges incurred under programs of prior years but charged to funds available in the fiscal year 1949.

[2] Includes 500,000 bushels, costing about $1,000,000, donated for use in demonstrating the value of potatoes for livestock feed or industrial products.

DIVERSION PROGRAMS

TABLE 6.—*Quantities of agricultural commodities diverted from the normal channels of trade and commerce under authority of sec. 32, and funds obligated, fiscal year 1949*

Commodity	Diversion	
	Quantity diverted	Funds obligated therefor
		Dollars
Cotton .... bales..	16, 850	358, 063
Figs .... tons..	2, 185	195, 300
Pears, fresh .... boxes..	108, 367	48, 765
Total	....	[1] 602, 128

[1] Payments were made (*a*) to manufacturers using cotton in the fabrication of insulation; (*b*) to shippers who diverted surplus figs to livestock feeding, manufacture of sirups, or other uses outside normal channels of trade; and (*c*) to shippers who diverted fresh pears from normal markets to markets in North Dakota, South Dakota, Minnesota, Nebraska, Iowa, Kansas, Missouri, Oklahoma, Arkansas, Texas, Louisiana, Tennessee, Mississippi, Alabama, Florida, Georgia, South Carolina, and North Carolina, States in which pear consumption is below the national average.

PROGRAMS TO REESTABLISH FARMERS' PURCHASING POWER

No programs have been initiated under this authority (clause 3 of sec. 32) in recent years.

STATUS OF SECTION 32 FUNDS, FISCAL YEAR 1949

The following tabulation shows project obligations, statutory transfers, unobligated balance, and availability of section 32 funds in the fiscal year 1949:

Project obligations:		
Exports		$26,881,971
Direct distribution (purchase):		
Program cost	$25,766,918	
Printing and binding	58,000	
		25,824,918
Diversion		602,128
Administrative expenses		[1] 2,312,885
Total project obligations		55,621,902
Transfers for purposes other than sec. 32:		
National school lunch program		75,000,000
Other		196,324
Total transfers		75,196,324
Total obligations		130,818,226
Unobligated balance		2,129,502
Total availability (obligations plus balance)		[2] 132,947,728

[1] Includes $833,643 spent, pursuant to sec. 392 (b) of the Agricultural Adjustment Act of 1938, in administration of marketing agreement and order programs under the Agricultural Marketing Agreement Act of 1937.

[2] Represents an amount equal to 30 percent of customs receipts during the calendar year 1947.

QUESTIONS AND ANSWERS

Q. What are major differences between section 32 and price-support operations?

A. (1) Section 32 does not specify what commodities are to be exported, distributed, or diverted, although the Agricultural Act of 1949 amends section 32 to provide that section 32 funds shall be devoted principally to perishable nonbasic agricultural commodities and their products. The Agricultural Act of 1949 makes price support mandatory for a number of commodities.

(2) Section 32 does not specify how much the Department of Agriculture shall pay per unit when making payments, indemnities, or purchases. The Agricultural Act of 1949 specifies, generally in terms of stated percentages of the parity price or in terms of a range of percentages, the levels at which prices may be supported.

(3) Under section 32 operations, the Department of Agriculture generally does not acquire and hold commodities; they are shipped promptly to school lunch programs and institutions or distributed among persons in low-income groups. Under price-support operations, substantial inventories of storable commodities, such as cotton, corn, and wheat, may be accumulated.

Q. What types of operations have been carried on under section 32 other than those now effective?

A. In the fiscal years 1939 to 1943, a food stamp program was operated, and, in the fiscal years 1940 to 1942, a cotton stamp program was carried on. Under the food stamp program, persons certified by local welfare agencies as eligible for relief bought minimum quantities of orange-colored stamps, good in exchange for any foodstuff, and received free a specified number of blue stamps, good in exchange only for abundant foods designated by the Department of Agriculture. Purchases of orange stamps insured that normal expenditures for food would be continued and that foods obtained with free blue stamps would represent a net addition to food consumption. Essentially the same procedure was used for the cotton stamp program. Both programs were carried on under authority of clause (2) of section 32, which directs the Secretary of Agriculture to increase the utilization of agricultural commodities "through benefits, indemnities, donations, or by other means, among persons in low-income groups . . ."

In the fiscal years 1940 to 1946, prior to passage of the National School Lunch Act of 1946, a school lunch program was carried on as a separate section 32 activity under authority of clause (2) and Department of Agriculture appropriation acts.

During the fiscal year 1941, a supplementary cotton stamp program was made effective as one phase of the general program to adjust cotton production to consumption requirements. It provided for making payments, in the form of cotton order stamps, for reductions in cotton acreage below the allotment determined for the farm under provisions of the 1941 agricultural conservation program. Payments were computed at the rate of 10 cents per pound on the normal cotton yield of the diverted acreage. The program provided for minimum payments of $5 and maximum payments of $25 for each farm, and also provided that in no event should a producer's cotton-order payments exceed a total value of $50, regardless of how many farms he owned. This program was carried on under clause (3) of section 32, which authorizes the Secretary of Agriculture to reestablish farmers' purchasing power by making payments in connection with the normal production of any agricultural commodity for domestic consumption.

Q. Were section 32 funds transferred for use under the national school lunch program for the fiscal year 1950?

A. No. Congress in 1949 made a direct appropriation of $83,500,000 for national school lunch program operations in the fiscal year 1950. This direct appropriation, of course, made more funds available for section 32 surplus-removal operations than in other recent years. At the same time, substantial quantities of surplus foods acquired under section 32 operations were donated for school lunch use.

Q. What section 32 programs are effective for 1949 or earlier crops?

A. See the following summaries of programs, effective as of April 1, 1950:

EXPORT PROGRAMS

Apples, fall and winter; and pears, winter: Payments to United States exporters for shipments to any "participating country" (including most of the dependent overseas territories participating under

ECA) as defined in section 103 (a) of the Foreign Assistance Act of 1948; to any Western Hemisphere country except Canada, Cuba, Mexico, and Venezuela; and to Israel, Egypt, and the Philippines. The rate of payment shall not exceed 50 percent of the f. a. s. price, computed before deduction of such payment, basis f. a. s. U. S. ports. Such sales price shall not exceed the domestic market price at time of sale and place of delivery. Program operative through May 31, 1950, for apples, but export payments for winter pears were terminated February 15, 1950.

Cotton: Payment of 10 cents per bale to exporters on cotton registered with the Department of Agriculture prior to July 1, 1950.

Eggs, dried: Payments to the CCC for sales of dried eggs to any department, agency, or establishment of the Government administering any law for furnishing assistance or relief to foreign countries. Rate of payment shall not exceed maximum authorized by section 112 (f) of the Foreign Assistance Act of 1948. Program operative through June 30, 1950.

Flaxseed or linseed oil: Payments to the CCC for surplus flaxseed or linseed oil sold to any department, agency, or establishment of the Government administering any law providing for furnishing relief to foreign countries. Rate of payment shall not exceed maximum authorized by section 112 (e) of the Foreign Assistance Act of 1948. Delivery shall be made not later than December 30, 1950.

Fruit, dried: Payments are being made to eligible exporters on commercial exports to eligible countries, and to the CCC for surplus dried prunes and raisins transferred to Government departments, agencies, or establishments. Rates of payment vary but do not exceed 50 percent of sales price, basis f. a. s., United States ports, as authorized by section 112 (f) of the Foreign Assistance Act of 1948. Program operative through June 30, 1950.

Honey: Payments to exporters, at the rate of 4.5 cents per pound or 50 percent of the f. a. s. sales price or domestic market price, whichever is lowest, to assist private traders to sell honey to destinations outside North, Central, and South America. Total export and diversion sales to be approved for payments up to July 1, 1950, are limited to 7 million pounds. Approval will be given for payments on an additional poundage during the last 6 months of the calendar year 1950.

Orange juice, concentrated: Payments to exporters in connection with concentrated orange juice exported to ECA countries approved for participation in an experimental child feeding program. Not to exceed 1,800 gallons to any one country. Product must be packed in gallon cans, No. 10 cans or in No. 3 cylinder cans, and in cases suitable for export. Program became effective September 1, 1949, and shipments must be completed prior to June 1, 1950.

Oranges, fresh and processed: Payments to exporters in connection with exports of packed fresh oranges, canned concentrated orange juice, and canned single strength orange juice to approved countries. The rate of payment shall not exceed 50 percent of the f. a. s. price, basis United States port nearest the area of production, and, in no event, more than certain maximum rates specified in the program. Program operative through June 30, 1950.

Peanuts: Payments for sales made by CCC to any department, agency, or establishment of the Government administering any law

providing for assistance or relief to foreign countries. Rate of payment shall not exceed maximum authorized by section 112 (f) of the Foreign Assistance Act of 1948. Program operative through June 30, 1950.

DIRECT DISTRIBUTION (PURCHASE) PROGRAMS

Beans, dry edible (1948 crop): Purchases from the CCC at prices to reimburse the CCC for actual or average total costs to the CCC at point and time of transfer of title. Program operative through June 30, 1950.

Butter: Purchases from the CCC of salted creamery butter at prices that will reimburse the CCC for actual or average total costs to the CCC at point and time of transfer of title. Program operative through June 30, 1950.

Eggs, dried: Purchases from the CCC at prices that will reimburse the CCC for actual or average costs at point and time of transfer of title. Program operative through June 30, 1950.

Fruits, dried: Purchases from vendors, including the CCC. Quantity shall not exceed 7,600 tons, processed weight basis. Program operative through June 30, 1950.

Milk, nonfat dry solids, spray process: Purchases from the CCC, in barrels and drums, at prices which will reimburse the CCC for actual or average cost at the point and time of transfer of title. Purchases from manufacturers and handlers in smaller containers on a competitive offer basis. Purchases from manufacturers and handlers shall be made prior to January 1, 1950. Program operative through June 30, 1950.

Potatoes, Irish: Purchases from the CCC only at prices to reimburse the CCC for cost of potatoes up to time of transfer of title from the CCC. (It was determined in January 1950 that section 32 funds would not, pursuant to section 411 of the Agricultural Act of 1949, be used for the removal of surplus potatoes.) Program operative through June 30, 1950.

Sweetpotatoes: Purchases of 1949-crop sweetpotatoes from the CCC at prices that will fully reimburse the CCC for all costs and expenses incurred by the CCC up to the time of transfer of title from the CCC. Program operative through June 30, 1950.

Turkeys: Purchases of frozen dressed turkeys from the CCC at prices that will reimburse the CCC for actual or average costs and expenses incurred prior to time of transfer of title, on basis of net weight as acquired and offered by the CCC. Program operative through June 30, 1950.

Vegetables, fresh: Purchases, on announced price basis, of fresh lima beans, snap beans, topped beets, cabbage, topped carrots, onions, green peas, spinach, and tomatoes. Program operative through June 30, 1950.

DIVERSION PROGRAMS

Almonds: Packers and shellers, including cooperative marketing associations, in California may receive benefit payments for the diversion of shelled almonds from normal channels of trade and commerce. Rate of payment, 14 cents per pound in shell. Diverted almonds shall be converted to their unshelled equivalent on the basis of the kernel weight being 46 percent of the unshelled weight. Diversion may be into industrial products, animal feed, or such other use

as precludes direct human consumption. Program operative through June 30, 1950.

Cotton: Payments to manufacturers holding approved applications under the program: 2¾ cents per pound, gross weight, of cotton used in the manufacture of insulation. Program operative through June 30, 1950.

Filberts: Payments to producers in Oregon and Washington, through the Filbert Control Board, for surplus unshelled filberts diverted to the domestic shelling trade, to use as animal feed, to export, or to other outlets not competitive with the market for unshelled filberts. Payment to growers shall not exceed 5.5 cents per pound on filberts declared surplus. Diversion must be completed by April 30, 1950.

A second program authorizes payments to growers in Oregon and Washington for shelling filberts certified as salable under the marketing agreement and order program. Payments to growers shall not exceed 4.75 cents a pound on salable filberts shelled during the period March 13 to May 31, 1950.

Fruit, dried: Payments for diversion of surplus dried prunes, raisins, and figs outside normal channels of trade, natural condition basis. The rate of payment has been 4½ cents per pound for dried prunes; 4 cents per pound for raisins; and 3 cents per pound for dried figs. Program operative through June 30, 1950.

Grain sorghums: Purchases from the CCC of sorghum grains of grade No. 2 or better at current market prices, the sorghum grains so purchased to be used for evaluation of a dry milling process and resulting products in new uses. Program operative through June 30, 1950.

Honey: Payments of not more than 4½ cents per pound will be made to packers who sell honey into diversion outlets at the market price less the amount of the payment. The diversion outlet must be approved by the Department of Agriculture and honey must be employed in the outlet before payment can be claimed. Diversion outlets for which payments will be approved will be "new use" outlets. These will include products in which no honey has been used since January 1, 1948, or those products for which manufacturers develop new formulas entailing the increased use of honey. Total export and diversion sales to be approved for payments up to July 1, 1950, are limited to 7 million pounds. Approval will be given for payments on an additional poundage during the last 6 months of the calendar year 1950.

Walnuts: Payments to packers or shellers, including cooperative marketing associations, in California, Oregon, or Washington, for the diversion of walnuts from normal channels of trade and commerce. Rate of payment 10 cents per pound for walnuts containing 25 percent kernels by weight or an equivalent rate based on an adjustment for each percent by which the kernel weight deviates from 25 percent. Maximum quantity on which payments will be made shall be 5,500,000 pounds of walnut kernels. Program operative through June 30, 1950.

THE NATIONAL SCHOOL LUNCH PROGRAM

The National School Lunch Act of 1946 declares it to be the policy of Congress, as a measure of national security, "to safeguard the health

and well-being of the Nation's children and to encourage the domestic consumption of nutritious agricultural commodities and other food, by assisting the States, through grants-in-aid and other means, in providing an adequate supply of foods and other facilities for the establishment, maintenance, operation, and expansion of nonprofit school lunch programs."

Before receiving any Federal grant-in-aid funds, however, each State must enter into an agreement with the Department of Agriculture, the agreement containing the minimum requirements of eligibility for Federal assistance and the terms and conditions under which such assistance will be granted. The agreement provides, among other things, for meeting minimum nutritional requirements laid down by the Department of Agriculture and for operating on a nonprofit basis. Lunches must be served free of charge or at reduced prices to children who are unable to pay the full cost of the lunch. Each year, each State must submit a plan of operation, for the approval of the Department, presenting in detail the manner in which the program is to be conducted during the ensuing school year.

Federal funds must be matched on a dollar-for-dollar basis by funds from sources within the States through the fiscal year ending in 1950. From 1951 through 1955, States must provide one and one-half dollars for each dollar of Federal funds, and thereafter each Federal dollar must be matched with $3 of funds from sources within the States.

The act authorizes appropriations for both food and nonfood assistance. Thus far, however, funds for nonfood assistance have been appropriated only for the first year of operation under the act—the fiscal year 1947. Nonfood assistance is defined as equipment used in storing, preparing, or serving food for school children.

Section 6 of the act provides that part of the appropriation available may be used by the Department to purchase food for direct distribution to States and schools in accordance with need. This distribution is in addition to foods the schools may purchase with Federal grant-in-aid funds. For the fiscal year 1950, section 6 foods will include natural and processed Cheddar cheese, canned tomatoes, canned string beans, canned corn, canned tomato paste, concentrated orange juice, peanut butter, canned peaches, canned apricots, and canned purple plums.

Section 9 of the act provides that each school shall, insofar as practicable, utilize in its lunch program commodities designated by the Department of Agriculture as being in abundance, either nationally or in the school area. In addition, the act provides that commodities purchased by the Department of Agriculture under section 32 operations may be distributed to schools in accordance with needs as determined by local school authorities. Schools carrying on nonprofit lunch operations, but not participating in the national school lunch program, are eligible to receive surplus foods acquired under section 32 programs.

QUESTIONS AND ANSWERS

Q. What type of Federal assistance may be provided under the National School Lunch Act?

A. Three types: (1) Cash reimbursement for a part of the school's food expenditure; (2) funds to assist in the purchase of equipment

for preparing and serving lunches; and (3) foods, either purchased by the Department specifically for use in school lunch programs (under section 6 of the National School Lunch Act) or those made available under section 32 programs.

Q. What was the total value of foods purchased locally by participating schools during the fiscal year 1949?

A. Local purchases of food by participating schools totaled approximately $168,000,000—exclusive of foods donated by local groups or furnished by the Department.

Q. What foods do schools buy?

A. Schools buy a wide variety of food items, including milk and other dairy products, meat, poultry, eggs, fruits, and vegetables, fats and oils, cereals, and sugars, in order to serve nutritious, balanced meals. Under the provisions of the National School Lunch Act, schools are required to spend, insofar as practicable, a part of their food funds for food commodities that are in abundant supply. Each month PMA provides a list of these abundant foods to State agencies administering the program. They, in turn, transmit this information to all participating schools.

Q. What was the value of commodities furnished by the Department during the fiscal year 1949?

A. Approximately $14,500,000 of Federal funds were used, under authority of section 6 of the National School Lunch Act, to purchase foods for use by schools participating in the national school lunch program. In addition, some of the commodities acquired with section 32 funds were furnished for use by all schools serving lunches on a nonprofit basis, including schools participating in the National School Lunch Program and "other" schools, at a cost to the Government of approximately $21,600,000.

Q. What is the prime consideration in the purchase of foods under section 6?

A. The purchase of foods that will most economically help schools to meet nutritional requirements established by the Department. In some instances, these purchases also assist in stabilizing prices or removing surpluses.

Q. What foods were purchased under section 6 in the fiscal year 1949?

A. Cheese, nonfat dry milk solids, peanut butter, canned tomatoes, tomato paste, and concentrated orange juice.

Q. How are these foods purchased?

A. On a competitive offer basis.

Q. What was the scope of the national school lunch program during the fiscal year 1949?

A. Approximately 48,000 schools throughout the United States and its Territories and possessions served lunches to approximately 7,000,000 children during the peak month, November 1948.

Q. What was the estimated total cost of the national school lunch program during the fiscal year 1949?

A. The Federal appropriation amounted to $75,000,000 for the 1949 fiscal year (transferred by act of Congress from section 32 funds).

In addition, section 32 foods costing $21,600,000 were channeled to all schools serving lunches on a nonprofit basis.

It is estimated that contributions to the program from sources within the States and Territories—cash (including appropriations, donations, and payments by children), the value of donated foods, and the value of donated services—totaled $218,000,000.

MARKETING AGREEMENT AND ORDER PROGRAMS

Marketing agreement and order programs, established under authority of the Agricultural Marketing Agreement Act of 1937, as amended, seek to establish and maintain orderly marketing conditions for certain commodities and their products. In April 1950 marketing agreement and order programs were in effect for milk, fruits, vegetables, nuts, and hops. Authorized actions under marketing agreement and order programs are protected against antitrust prosecution for combination or conspiracy.

Milk-order programs establish minimum prices that handlers or distributors are required to pay producers. The orders provide for the classification of milk according to use and the determination of prices for the various uses. The price of milk—and, in a few instances, cream—for fluid distribution is established at a higher level than prices for other uses.

For commodities other than milk—such as fruits, vegetables, nuts, and hops—several types of regulations may be used. These include controls over the quality, quantity, and rate of shipment from producing areas to market; the establishment of reserve pools; the control and disposition of surpluses; prohibition of unfair trade practices; and posting of prices. These regulations, unlike those established under milk order programs, do not establish prices that must be paid producers. The regulations, however, tend to raise or maintain prices received by producers.

Section 401 (c) of the Agricultural Act of 1949 provides that "compliance by the producer with acreage allotments, production goals and marketing practices (including marketing quotas when authorized by law), prescribed by the Secretary, may be required as a condition of eligibility for price support."

The House Conference Report on the Agricultural Act of 1949 states that section 401 (c) "will authorize the Secretary of Agriculture to condition price support for potatoes and other nonbasic agricultural commodities upon producers agreeing to use marketing agreements and orders issued pursuant to the Agricultural Adjustment Act, as reenacted and amended by the Agricultural Marketing Agreement Act of 1937, as amended, with respect to such commodities in such production or marketing areas as the Secretary may designate."

Public Law 471, Eighty-first Congress, second session, provides that "no price support shall be made available for any Irish potatoes of the 1950 crop with respect to which marketing orders under the Agricultural Marketing Agreement Act of 1937, as amended, have been disapproved by producers."

QUESTIONS AND ANSWERS

Q. What is the distinction between a marketing agreement and a marketing order?

A. A *marketing agreement* is a voluntary contract entered into by the Secretary of Agriculture and a handler of a particular agricultural commodity. Such an agreement affects only the handlers who sign it. Handlers of any agricultural commodity or product thereof may enter into a marketing agreement with the Secretary of Agriculture.

A *marketing order* issued by the Secretary of Agriculture makes the order binding upon all the handlers of the Commodity in the specified production or marketing area, regardless of whether they signed the marketing agreement. Under the Agricultural Marketing Agreement Act of 1937, marketing orders are applicable only to the following agricultural commodities and products thereof (except products of naval stores and honeybees): Milk, fruits (including pecans, walnuts, filberts, and almonds, but not including apples other than those produced in the States of Washington, Oregon, and Idaho, and not including fruits, other than olives, for canning or freezing), tobacco, vegetables (not including vegetables other than asparagus, for canning or freezing), soybeans, hops, honeybees, and naval stores as included in the Naval Stores Act and standards established thereunder (including refined or partially refined oleoresin).

Most programs for milk are in effect under orders without agreements, whereas most programs for commodities other than milk are under both marketing agreements and orders.

Q. How is a marketing agreement and order program instituted?

A. Several steps are usually involved: (1) The Secretary of Agriculture may initiate proceedings, but generally a tentative agreement and order is formulated by industry groups; (2) the producer-sponsored program, together with a request for a public hearing, is submitted to the Secretary; (3) after due notice, the hearing is held; (4) interested parties are given sufficient time to file written briefs or arguments and proposed findings or conclusions after the close of the hearing; (5) a recommended decision, containing terms of the program as revised on the basis of evidence presented at the hearing, is prepared and published; (6) interested parties are given sufficient time to file exceptions to the recommended decision; (7) a final decision of the Secretary is prepared with respect to terms and provisions of the marketing agreement; (8) the marketing agreement, as approved by the Secretary, is submitted for approval by handlers and the regulatory program is submitted to producers; (9) if 50 percent of the handlers sign the agreement (for California citrus fruit it is 80 percent) and two-thirds of the producers voting in referendum approve the issuance of an order (for California citrus fruit and individual handler pools in milk it is three-fourths), the Secretary may then issue an order making the terms of the marketing agreement program effective upon the entire industry in a specified producing or marketing area. If the issuance of an order has the necessary producer approval but the required proportion of handlers fails to sign the agreement, the Secretary may, nevertheless, issue an order to accomplish the purposes of the act, if he finds that the issuance of an order is the only practicable means of advancing the interests of producers—and if

refusal or failure of the handlers to sign tends to prevent accomplishing the declared policy of Congress.

Q. How are marketing orders amended?

A. The procedure is much the same as when the order is instituted, but less time for notice may be required.

Q. How are marketing orders terminated?

A. A marketing order, or any provision of an order, must be terminated at any time the Secretary of Agriculture finds that the order no longer achieves the declared policy of the Agricultural Marketing Agreement Act of 1937, as amended. The Secretary also must terminate any marketing order at the end of the then current season whenever at least half the producers or those who produce at least half the commodity regulated request that the order be terminated. Benefits, privileges, and immunities terminate then, except for acts committed during the operation of the programs. The administrative committees become trustees and liquidate the assets of terminated programs.

Q. Who is regulated under a marketing order?

A. Handlers are regulated. The term "handler" is usually defined specifically in the order.

Q. What legal actions may be taken against violators of an order?

A. Three types of action may be taken (by the Department of Justice):

(1) Civil action to obtain a restraining order or injunction. Either helps to prevent further violation of the order.

(2) Civil action to obtain triple damages. If the prosecution is successful, the offender is required to pay three times the value of the product shipped in violation of the order.

(3) Criminal action to obtain conviction. If convicted, the offender may be fined not less than $50 nor more than $500 for each violation. But each day the violation continues may be considered a separate violation.

(Any handler may petition for relief from any order or regulation. While the petition is pending, he is protected against criminal prosecution. A procedure is outlined in detail for handling such petitions and for appeal to the courts from the decision of the Secretary of Agriculture.)

Q. How many milk-marketing orders were effective in April 1950?

A. Thirty-five—in the following areas: Boston, Chicago, Chicago-Suburban, Cincinnati, Cleveland, Clinton (Iowa), Columbus, Dayton-Springfield, Dubuque, Duluth-Superior, Fall River, Fort Wayne, Kansas City, Knoxville, Lima (Ohio), Louisville, Lowell-Lawrence, Minneapolis-St. Paul, Nashville, New Orleans, New York, Omaha-Council Bluffs, Paducah, Philadelphia, Quad Cities (Davenport, Iowa, and Rock Island, Moline, and East Moline, Ill), Rockford-Freeport (Ill.), St. Louis, Sioux City, South Bend-La Porte (Ind.), Springfield (Mass.), Toledo, Topeka, Tri-State (certain cities and towns in Ohio, Kentucky, and West Virginia at the juxtaposition of those States), Wichita, and Worcester.

Q. What are the general characteristics of all milk-marketing orders?

A. Each milk-marketing order provides for an agency to administer

the terms of the order, defines the marketing area to which the order applies, establishes minimum producer prices according to the use made of the milk by the handlers, and provides for a method of distributing among producers the total receipts from milk sales to handlers.

Q. Who administers milk-marketing orders?

A. Each market has a Federal milk-market administrator, appointed by the Secretary of Agriculture. An administrator, however, may handle more than one market. For example, the administrator of the Chicago order also administers the Chicago-Suburban order.

Q. What is the "marketing area" to which the order applies?

A. It is the area within which any person who sells milk received from producers (as defined in the order) becomes a handler and is subject to the order. This area is precisely defined in each order.

Q. What are the advantages of "use classification" under milk-marketing orders?

A. The classification of milk according to the use made of the milk by handlers with minimum prices to producers for each use classification, enables dairy farmers to realize the full value of their milk in disposing of their entire production.

Q. On what basis are producers paid for their milk under milk-marketing orders?

A. In order to reflect in returns to producers the full benefit of the minimum class prices required to be paid by handlers, the program provides for one of two methods for distributing returns to the farmers who supplied the milk. This is done either through a market-wide pooling arrangement or through individual handler pools.

Under a market-wide pool, the announced producer price is uniform for all producers in the market inasmuch as it represents a "blend" of the combined class values of all the milk received in the market by all handlers. When individual-handler pools are used, prices received by producers delivering milk to any one handler are uniform as between the producers delivering to that handler, but they may be different from prices received by producers delivering milk to other handlers, depending upon differences in the utilization of milk by the various handlers. Under either type of pooling arrangement, the announced producer price is subject to uniform adjustments, depending upon the butterfat content or delivery zone for the individual producer.

In some markets, base-rating plans have been used. Under these plans a producer receives one price for a certain part of his milk and a lower price for milk produced in excess of this "base" amount. The "base" amount for an individual producer is usually determined in accordance with his production during the season of low production for the market as a whole. The purpose of a base-rating plan is to encourage more even production by producers at all seasons of the year.

Q. What marketing agreement and order programs were effective for other commodities in April 1950?

A. The programs, by commodity and production area, were as follows: Grapefruit—California and Arizona; lemons—California and Arizona; oranges—California and Arizona; oranges, grapefruit,

and tangerines—Florida; Tokay grapes—California; peaches—Colorado; peaches—Georgia; peaches—Utah; Bartlett pears, plums, and Elberta peaches—California; Buerre hardy pears—California; winter pears—Oregon, Washington, and California; fresh prunes—Oregon and Washington; dried prunes—California; raisins—California; fresh peas and cauliflower—Colorado; potatoes—Idaho and Oregon; potatoes—Colorado; potatoes (order only)—Oregon and California; potatoes—Michigan, Wisconsin, Minnesota, and North Dakota; potatoes—North Carolina and Virginia; potatoes—eastern South Dakota; potatoes—Maine; potatoes—Washington; potatoes—New Jersey; filberts—Oregon and Washington; pecans—Georgia, Alabama, South Carolina, Florida, and Mississippi; walnuts—California, Oregon, and Washington; and hops—California, Oregon, Washington, and Idaho.

Q. What area may be included in a marketing agreement and order program for commodities other than milk?

A. The Agricultural Marketing Agreement Act of 1937 requires that any marketing agreement or order for commodities other than milk and its products must be limited to the smallest regional production area practicable.

Q. What type of regulation may be included under a marketing agreement and order program for commodities other than milk?

A. (1) *Regulation of quality.*—This is usually accomplished by specifying the grades and sizes of the product that may be shipped to market.

(2) *Regulation of quantity.*—This method of regulation involves the establishment of the quantity of the product that may be shipped to market during any specified period. The total quantity is allocated among all handlers on the basis of past performance of handlers or the amount of product each handler has available for current shipment.

(3) *Reserve pools.*—This involves the establishment of a reserve pool of the product and equitable distribution to all financially interested persons of returns derived from the sale thereof.

(4) *Surplus control.*—This involves determining the extent of a surplus, providing for the control and disposition thereof, and for equalizing the burden of surplus elimination among producers and handlers.

(5) *Unfair trade practices.*—A method may be provided for prohibiting unfair methods of competition and unfair trade practices in the handling of the commodities.

(6) *Price posting.*—This involves the requirement that handlers file their selling prices, and such handlers are not permitted to sell at prices lower than those filed. Handlers may change the prices at any time, but adequate notice must be given.

Q. How is a marketing agreement and order program administered for commodities other than milk?

A. All marketing agreements and order programs for commodities other than milk provide for a committee of growers or handlers, or both, to administer the terms of the order. The method of selecting the committee is outlined in the order. Members of the committee are generally nominated by growers and handlers in the industry and

appointed by the Secretary of Agriculture. The term of office, powers, duties, and obligations of the committee are set forth in the order.

All committees are empowered to administer the order, to investigate violations, and to recommend amendments.

Committees are required to mediate among growers, handlers, and the Secretary of Agriculture; to keep books available to the Secretary; to analyze growing and marketing conditions; to make audits; appoint employees; to give notice of meetings, regulations, and policies; and to provide information requested by the Secretary.

Recommended regulations must be in accord with standards set out in the order and with the advance marketing policy, valid with respect to the act, consistent with its objectives, and, in each case, supported by data and analyses.

Most committees must promulgate, in advance of issuing regulations, a detailed shipment policy which will permit growers and handlers to adjust their operations to the contemplated regulations.

Some committees must publish monthly statements, make crop estimates, recommend changes in election or prorate districts, announce opening and closing dates for shipping, consult with other committees, and undertake research or service work.

The Secretary may authorize committees to collect assessments at a uniform rate for expenses which are reasonable and likely to be incurred, in accordance with an advance budget approved by the Secretary. Funds may be used only for purposes authorized by the order and such uses must be approved by the Secretary. Excess funds are either credited to handlers' accounts or returned to handlers at the end of each marketing season.

Activities of committees are further governed by requirements of the Administrative Procedure Act, regulations of the United States Department of Agriculture as published in the Code of Federal Regulations, and bylaws of the committees.

THE SUGAR PROGRAM

The prime objective of the sugar program is, as stated in the Sugar Act of 1948, "to protect the welfare of consumers of sugars and of those engaged in the domestic sugar-producing industry." The attainment of this objective involves (1) the determination of United States consumption requirements; (2) administration of quotas to regulate imports of sugar produced in foreign areas, as well as marketings of sugar produced in domestic areas; and (3) payments to domestic producers of sugar beets and sugarcane, provided producers comply with certain labor, wage, price, and marketing requirements prescribed by law.

"Domestic" sugar is produced in the continental United States from sugar beets and sugarcane, and also in Hawaii, Puerto Rico, and the Virgin Islands from sugarcane only. Domestic sugar output, however, falls far short of meeting the Nation's total requirements. To assure adequate supplies to consumers at fair and reasonable prices, sugar must be imported from foreign areas, principally from Cuba and the Philippines. But to prevent excessive supplies from driving down prices received by domestic producers, imports from foreign areas and marketings of sugar produced in domestic areas are regulated through quotas.

DETERMINATION OF CONSUMPTION REQUIREMENTS

The Secretary of Agriculture is authorized by the Sugar Act to determine at the end of each year the consumption requirements of the continental United States for the next year. This determination is not necessarily final; it may be changed during the year as actual requirements change. For example, for 1948 the requirements were revised three times and the 1949 determination was changed once. The determination of consumption requirements for 1950 was established at 7,500,000 short tons, raw value.

Basic quotas established by the Sugar Act for the five domestic producing areas total 4,268,000 tons. The act also established a quota for the Philippines of 982,000 tons. Additional quotas to meet requirements are apportioned on the basis of 98.64 percent to Cuba and 1.36 percent to other foreign countries. When the Secretary of Agriculture determines that a sugar-producing area is unable to fill its quota for the calendar year, he is empowered by the act to declare a deficit for that area and to prorate the amount of the deficit, according to a formula contained in the act, to other areas which can supply sugar to make up the deficiency.

PAYMENTS

Producers of sugar beets in the continental area received conditional payments on the crops of 1942 through 1948 averaging about $2.60 per ton of beets. For producers of sugarcane within the various domestic producing areas, the payment on these crops ranged from about 88 cents to $1.70 per ton of cane. These average payments include the amounts paid in connection with acreage abandonment and crop deficiencies. The total outlay of the Government through these payments is more than offset by collections under a special tax of 50 cents per hundredweight of sugar, raw value, imposed on all sugar derived from sugar beets or sugarcane which is either produced in or brought into the continental United States. The annual sugar tax collections usually exceed total conditional payments for a crop year by 10 to 15 million dollars. Payments on 1948 crops are currently estimated at $56,100,000, and sugar tax collections in the corresponding fiscal year in which such payments are made (1949), amounted to $80,313,517 ($76,174,356 collected by the Bureau of Internal Revenue for sugar refined in the United States plus $4,139,161 collected by the Bureau of Customs on direct consumption sugar brought into the continental United States).

Payments to producers are conditioned upon compliance with certain requirements set forth in the Sugar Act, as follows:

1. That, except for a member of the immediate family of a person who is the legal owner of not less than 40 percent of the crop on the farm, no child under the age of 14 shall be employed or permitted to work in the production of sugar beets or sugarcane, or if between the ages of 14 and 16 shall not be employed or permitted to work in the production of such crops more than 8 hours per day, unless deductions are made from the producer's payment at the rate of $10 per "child day" for any such employment.

2. That all persons employed in sugar beet or sugarcane work on the farm shall be paid in full and at rates not less than those determined by the Secretary of Agriculture to be fair and reasonable.

3. That sugar beets or sugarcane grown on the farm shall not be marketed in excess of the proportionate share established for the farm.

4. That a producer, who is also a processor, shall pay for all sugar beets or sugarcane purchased from other producers at prices not less than those determined by the Secretary of Agriculture to be fair and reasonable.

Payments are computed on amounts of sugar and at rates as follows:

The amount of sugar for payment for a farm includes: (a) The amount of sugar commercially recoverable from sugar beets or sugarcane marketed from the farm for the extraction of sugar not in excess of the proportionate share for the farm; and (b) the amount computed in accordance with the provisions of the act with respect to crop deficiencies and bona fide abandonment of planted acreage, resulting directly from drought, flood, storm, freeze, disease, or insects.

The base rate of payment is 80 cents per 100 pounds of sugar commercially recoverable, raw value. For the production in excess of 7,000 hundredweight on a farm, the base rate is lowered progressively with the amount of sugar produced, 30 cents being the minimum rate.

The conditional payment program is administered in the field through area, State, and county offices of the Production and Marketing Administration.

PARITY

The parity price of an agricultural commodity, generally speaking, is the price which will give the commodity the same purchasing power as it had during a given base period in terms of (1) prices of commodities farmers buy, (2) interest on mortgage indebtedness, (3) taxes on farm real estate, and (4), for most commodities, wage rates for hired farm labor. The parity price of an individual farm commodity, in other words, is a standard for measuring the purchasing power of that commodity in relation to prices of goods and services during a definite base period.

The Bureau of Agricultural Economics calculates parity prices each month. As provided in existing legislation, the Bureau calculates "new," "old," and "transitional" parity prices, whichever price is applicable being termed the "effective" parity price. These effective prices, together with other current information on prices received and paid by farmers, are published in the Bureau's monthly report, Agricultural Prices, which is released about the 29th of each month. Copies of the report may be obtained upon request from the Division of Economic Information, Bureau of Agricultural Economics, U. S. Department of Agriculture, Washington 25, D. C.

NEW PARITY

The Agricultural Adjustment Act of 1938 was amended by the Agricultural Acts of 1948 and 1949 to provide a new formula for calculating parity prices. Parity prices computed with the new formula are effective in 1950 for all commodities except cotton, corn, wheat, peanuts (see the section entitled "Old Parity"), and commodities for which transitional parity prices are applicable (see the section entitled "Transitional Parity").

The method of calculating parity prices with the new formula is as follows:

(1) Monthly or season average prices received by farmers for the 10 preceding years are calculated. For 1950, this is the 1940–49 average; for 1951, it will be the 1941–50 average; for 1952, the 1942–51 average; and so on. Wartime subsidy payments made to producers of milk, butterfat, beef cattle, sheep, and lambs under programs designed to maintain maximum prices established under the Emergency Price Control Act of 1942 are included in prices received for those commodities.

(2) This 10-year average is divided by the 120-month average of the index of prices received by farmers (January 1910–December 1914=100) for the 10 calendar years, to give an "adjusted base price." Wartime subsidy payments on milk, butterfat, beef cattle, sheep, and lambs also are included in the index of prices received.

(3) Parity prices are calculated by multiplying the "adjusted base period" prices by the index of prices paid by farmers, including interest, taxes, and wage rates (1910–14=100).

Example: The January 15, 1950, effective parity price of hogs was computed as follows with this formula: The January 1940–December 1949 monthly average price received by farmers for hogs was $15.20 per hundred pounds. This base period price was "adjusted" by dividing by 202 percent—the January 1940–December 1949 average index of prices received by farmers (January 1910–December 1914=100). The result of that calculation, $7.52, became the "adjusted base period price." The adjusted base period price of $7.52 was multiplied by 249 percent the January 15, 1950, index of prices paid, interest, taxes, and wage rates (1910–14=100). The calculation rounded to $18.70—the parity price as of January 15, 1950.

The following tabulation shows adjusted base period prices for use during the calendar year 1950 for some of the more important agricultural commodities for which "new parity" prices are effective in 1950:

BASIC COMMODITIES

Commodity and unit:	*Adjusted base-period (1910–14) prices (dollars)*
Rice, per bushel	0.891
Tobacco:	
Flue-cured, Types 11–14, per pound	.196
Burley, Type 31, per pound	.196

DESIGNATED NONBASIC COMMODITIES

Tung nuts, per ton	40.20
Butterfat, per pound	.277
Milk, wholesale, per hundredweight	1.73
Mohair, per pound	.265
Wool, per pound	.201
Honey, wholesale, extracted, per pound	.0663

OTHER NONBASIC COMMODITIES

Beans, dry edible, per hundredweight	3.34
Cottonseed, per ton	26.30
Flaxseed, per bushel	1.71
Soybeans, per bushel	1.00
Sweetpotatoes, per bushel	.921
Beef cattle, per hundredweight	6.78
Chickens, per pound	.114
Hogs, per hundredweight	7.52
Lambs, per hundredweight	7.48
Turkeys, per pound	.144
Veal calves, per hundredweight	7.62

Parity prices are calculated by the Bureau of Agricultural Economics in terms of prices received by farmers in the local markets in which they ordinarily sell. Parity prices apply to the average of all classes and grades of the commodity as sold by all farmers in the United States, except as otherwise specified. Fruits and vegetables for fresh use and for processing are usually considered as separate commodities.

Where necessary, average or normal differentials for different varieties, classes, or grades of a commodity, and average or normal spreads between different markets, methods of sale, or locations can be calculated and applied to the average parity price for the Nation. Differentials may also be established for seasonal differences, especially where there is a reasonably regular and well-defined seasonal movement. Such spreads or differentials need adjustment or recalculation from time to time because of changes in methods of processing, in marketing and transportation costs, and in the distribution of supplies relative to demand.

Price-support levels are based upon percentages of the parity prices at some particular time. Section 401 (d) of the Agricultural Act of 1949 provides that "the level of price support for any commodity shall be determined upon the basis of its parity price as of the beginning of the marketing year or season in the case of any commodity marketed on a marketing year or season basis, and as of January 1 in the case of any other commodity." In other words, the support price remains the same during a given marketing year or season, regardless of later ups or downs of monthly parity prices. (See answer to the question, "Does the support price change every time the parity price changes?" on page 11. Also, see the discussion under the head of "Forward pricing" on page 27.)

OLD PARITY

Although the Agricultural Acts of 1948 and 1949 amend the Agricultural Adjustment Act of 1938 to provide a new formula for computing parity prices, the amended act also provides that the parity price for any basic agricultural commodity—corn, cotton, wheat, peanuts, rice, and tobacco—as of any date during the 4-year period beginning January 1, 1950, shall not be less than its parity price computed in the manner used prior to the enactment of the Agricultural Act of 1949.

To comply with this provision, the Bureau of Agricultural Economics makes two calculations for the basic commodities, one with the "new" and one with the "old" formula. Whichever of these is the higher becomes the "effective" parity price. For 1950, the old formula gives higher parity prices for wheat, corn, cotton, and peanuts, whereas the new formula gives higher parity prices for rice and tobacco.

Parity prices under the old formula are computed for corn, cotton, wheat, and peanuts by multiplying their August 1909–July 1914 base period prices by the index of prices paid, including interest and taxes, but not including wage rates (1910–14=100)—the index as computed prior to January 1, 1950. August 1909–July 1914 base period prices are as follows: Corn, 64.2 cents per bushel; cotton, 12.4 cents per pound; wheat, 88.4 cents per bushel; and peanuts, 4.8 cents per pound.

Example: Parity prices for wheat as of January 15, 1950, were computed as follows with the old formula: The August 1909–July 1914 base period price of 88.4 cents per bushel was multiplied by 241 percent—the January 15, 1950, index of prices paid, including interest and taxes (1910–14=100). The calculation rounded to 213 cents or to $2.13 per bushel. The parity price under the new formula was $1.84. Because the old parity price of $2.13 was higher than the new parity price of $1.84, $2.13 became the effective parity price.

TRANSITIONAL PARITY

The special provision for the basic commodities is not applicable to nonbasic commodities. The effective parity price for nonbasic commodities is derived with the new formula, unless the new parity price is lower than 95 percent of the old parity. In such case the effective parity price in 1950 is 95 percent of the parity price under the old formula; in 1951, it is 90 percent; in 1952, 85 percent, and so on until the "transition" from the old to the new basis has been accomplished.

This provision for transitional parity prices was written into the law to prevent effective parity prices, as calculated by the new formula, from dropping sharply below those calculated by the old formula.

Table 7 shows how parity prices, as calculated with both the old and new formulas, compare with transitional parity prices for the more important of the farm commodities for which transitional parity prices are "effective" parity prices.

TABLE 7.—*Base period prices, parity prices (as calculated with the old and new parity formulas), and transitional parity prices as of Jan. 15, 1950*

Commodity	Base period price	Parity price—old formula	Parity price—new formula	Transitional parity price [1]
BASE PERIOD, AUGUST 1909–JULY 1914				
	Dollars	*Dollars*	*Dollars*	*Dollars*
Barley bushel	0.619	1.49	1.21	1.42
Grain sorghums hundredweight	1.21	2.92	2.31	2.77
Oats bushel	.399	.962	.809	.914
Rye do	.720	1.74	1.47	1.65
Eggs dozen	.215	.518	.451	.492
Gum turpentine gallon	.462	1.11	.762	1.05
BASE PERIOD, AUGUST 1919–JULY 1929				
Potatoes bushel	1.12	1.76	1.53	1.67
Honey, comb, wholesale pound	.195	.306	.289	.291
Prunes, dried ton	136.32	214.00	198.00	203.00
BASE PERIOD, AUGUST 1922–JULY 1929				
Cotton, American Egyptian pound	0.3749	0.6111	0.5779	0.5805

[1] Transitional parity prices are calculated in 1950 by reducing parity prices, as calculated by the old formula, by 5 percent; that is, by multiplying by the factor 0.95.

Calculation of parity prices by the old formula is as follows:

For commodities having a base period of August 1909–July 1914, the base period price is multiplied by the index of prices paid, including interest and taxes (1910–14=100). In the case of oats, for example, the January 15, 1950, old parity price would be calculated by multiplying the base period price of 39.9 cents by the January 15, 1950, index of prices paid, interest and taxes—241 percent. The result of this calculation rounds to 96.2 cents. The old parity price is multiplied by the factor 0.95 to derive the transitional parity price of 91.4 cents.

For commodities having a base period price other than August 1909–July 1914, the base period price is multiplied by the index of prices paid, not including interest and taxes (or wage rates) (1910–14=100) converted to a base period that is comparable with the base period for the price. For example, potatoes have a 10-season average 1919–28 base period price of $1.12 per bushel. The January 15, 1950, index of prices paid, *not* including interest and taxes, is 250 (1910–14=100). The index of 250 is converted to an August 1919–July 1929 base by dividing by the conversion factor 1.59 to give 157. The base period price of $1.12 is multiplied by the converted index of 157 percent. The calculation rounds to $1.76 per bushel—the old parity price. This is considerably higher than the parity price of $1.53, as given by the new formula. Hence, the price of $1.76 is reduced by multiplying by the factor 0.95, to $1.67 per bushel—the transitional or effective parity price.

Similar computations may be made for commodities having other base period prices by converting the indexes of prices paid to appropriate base periods in accordance with the factors in table 8.

TABLE 8.—*Factors for converting the index of prices paid by farmers from the 1910–14 base to a specified base period, United States (these factors relate to the computation of parity prices with the "old" formula, using the "old" index)*

Base period	Crop seasons usually included [1]	Conversion factor (divide by)
August 1919–July 1929	1919–28 and 1920–29	1. 59
August 1920–July 1929	1920–28 and 1921–29	1. 55
August 1922–July 1929	1922–28 and 1923–29	1. 53
August 1923–July 1929	1924–29	1. 53
August 1924–July 1929	1924–28	1. 54
August 1925–July 1929	1925–28	1. 53
August 1926–July 1929	1926–28	1. 53
August 1927–July 1929	1927–28 and 1928–29	1. 53
August 1934–July 1939	1934–38	1. 24
August 1936–July 1941	1936–40	1. 24
January 1920–December 1928	1920–28	1. 58
January 1922–December 1928	1922–28	1. 53
January 1923–December 1928	1923–28	1. 53

[1] The 1929 seasons are included for some crops for which the bulk of the harvest is marketed prior to Aug. 1. The average of these season average prices provides as satisfactory an estimate of the United States average prices for the specified base periods as can be obtained.

INDEX OF PRICES RECEIVED BY FARMERS

In the computation of parity prices with the "new" formula, the adjusted base period price for a commodity as of any date is the average price received by farmers for that commodity during the preceding 10-year period, divided by the ratio of the general level of prices received by farmers for agricultural commodities during the same 10-year period to the general level of such prices during the period January 1910–December 1914.

Accordingly, as a means of providing this ratio in a convenient form, the Bureau of Agricultural Economics, with the January 1950 issue of the monthly report, Agricultural Prices, began to publish index numbers of prices received by farmers based on the January 1910–December 1914 period instead of the period August 1909–July 1914 previously used as a base. The change in the over-all index of prices received by farmers resulting from the revision is very minor, however, the 10-year 1940–49 average of the old index (including wartime subsidy payments for butterfat, milk, beef, cattle, sheep and lambs) being 204 as compared with an average of 202 for the revised index.

Annual averages of the revised index are shown in table 10.

INDEX OF PRICES PAID BY FARMERS, INCLUDING INTEREST, TAXES, AND WAGE RATES

The Agricultural Adjustment Act of 1938, as amended by the Agricultural Acts of 1948 and 1949, provides that "the 'parity index,' as of any date, shall be the ratio of (i) the general level of prices for articles and services that farmers buy, wages paid hired farm labor, interest on farm indebtedness secured by farm real estate, and taxes on farm real estate, for the calendar month ending last before such date to (ii) the general level of such prices, wages, rates, and taxes during the period January 1910 to December 1914, inclusive." (The expression "parity index" is another way of saying "index of prices paid by farmers, including interest, taxes, and wage rates.")

The Bureau of Agricultural Economics, in the January 1950 issue of the monthly report, Agricultural Prices, published a revised parity index and discussed the need for such a revision as follows:

> The need for revision arises in part from the fact that the weights used heretofore in computing the index were derived from the period 1924–29, whereas many changes have occurred since that time in techniques of agricultural production and in the commodities, or amounts of commodities, used by farmers, both for living and production. Outstanding, of course, is the shift from animal power to motorized equipment. Moreover, new price series have become available which should logically be included in the index. Also, the indexes heretofore computed have not included prices of certain items or groups of items for which farmers make substantial expenditures; namely, livestock for stockers and feeders, and certain services, such as electricity and telephones.

Major changes brought about by the revision are as follows:

(*a*) In recognition of widespread and extensive changes that have taken place in relative expenditures for various commodities as a result of changes in agricultural technology, and for other causes, weights for the various commodities and commodity groups derived from the period 1937–41 are used for the index since 1935. Prior to 1935 weights derived from the period 1924–29 have been continued,

since they are considered more representative of the period prior to 1935 than weights for the period 1937–41. Certain minor changes have been made in the weights for the period 1924–29 to reflect revised income and expenditure data and to adjust for certain shifts of commodities from one group to another. For example, gasoline, oil, and tires have been transferred from the "operating expense" groups, as carried in the old index, to a separate group "motor supplies" in the production group of commodities, and to "autos and auto supplies" in the group of commodities used in living.

For the period 1910 through March 1935, indexes for the several commodity groups were constructed by weighting prices of individual commodities by the average quantities estimated to have been purchased per farm during the period 1924–29. Since March 1935, prices of individual commodities have been weighted by average quantities estimated to have been purchased per farm during the period 1937–41. The commodity group indexes have been combined into an index representing commodities used in both living and production, together with interest, taxes, and wage rates paid hired labor, by weighting the several group indexes in proportion to the percentage of total expenditures represented by the commodities and services in the corresponding groups in the respective weight periods. The several indexes have been linked together as of March 1935, with 1910–14 chosen as the reference point for comparison. In other words, the average of prices in 1910–14 is taken as 100. The weights for combining the group indexes are shown in table 9.

The major effect of the changes in weights are:

(1) To give greater weight to commodities relative to interest and taxes since March 1935, as indicated by changes in the expenditure pattern.

(2) To increase the weight given to farm machinery and motorized equipment.

(3) To allow for changes in farm wage rates paid to hired labor as required by the Agricultural Act of 1949.

(*b*) An additional component has been added both prior and subsequent to 1935, to represent the cost of livestock bought by farmers for production purposes. Prior to 1935, this component represents prices of feeder livestock; since 1935 it represents, in addition, prices of dairy cattle, baby chicks, and turkey poults.

(*c*) Since 1935, a series covering the per-unit cost of telephone service, of electricity, and of newspapers has been included in the group covering household operation to represent services utilized by farmers. This addition is consistent with the Agricultural Act of 1949 which now includes "services" among the factors to be considered in computing parity prices. It is hoped as soon as practicable to incorporate an additional series representing the cost of medical services. Cost of electricity has also been added to the farm supplies group in the production part of the index.

(*d*) Since 1935 the number of commodities included in the index has been substantially expanded. It now includes 335 instead of the 175 utilized in the old index. (The old index is still used, however, in computing parity prices under the old formula.) For the years before 1935 it has been possible to extend back to 1910 several price series which had heretofore been introduced into the index between

1910 and January 1950. The estimation of prices back to 1910 for these commodities has been based upon all available related information and includes information on prices available from the Bureau of Labor Statistics, prices in mail order catalogs, and prices compiled from special surveys conducted by the Bureau of Agricultural Economics.

TABLE 9.—*Basic percentage weights for revised parity index, by commodity groups, 1924–29 and 1937–41*

Commodity group	1924–29 [1]	1937–41
	Percent	*Percent*
Commodities used in living	41. 2	44. 0
Food (including tobacco) [2]	14. 8	16. 7
Clothing	12. 5	8. 6
Autos and auto supplies	4. 5	6. 9
Household operations	3. 9	5. 9
Household furnishings	2. 4	4. 0
Building materials, house	3. 1	1. 9
Commodities used in production	36. 4	41. 2
Feed	10. 1	10. 2
Livestock	4. 4	5. 3
Motor supplies	3. 9	5. 2
Motor vehicles	3. 9	5. 2
Farm machinery	3. 4	4. 5
Building and fencing materials	3. 7	2. 7
Fertilizer and lime	2. 7	3. 1
Equipment and supplies	3. 3	3. 3
Seeds	1. 0	1. 7
Total commodities (living and production groups)	77. 6	85. 2
Taxes	5. 7	3. 8
Interest	6. 5	3. 0
Total commodities, interest, and taxes	89. 8	92. 0
Cash wage rates	10. 2	8. 0
Total commodities, interest, taxes, and cash wage rates	100. 0	100. 0

[1] Same as weights in the current index except for revisions in expenditure estimates for 1924–29, the inclusion of livestock and wage rates for hired labor, and a few shifts in commodity grouping.
[2] Tobacco included only since March 1935.

(*e*) Autos, tractors, trucks, and the supplies and operating expenses related to them have all been introduced in March of 1924 instead of over a period of years ranging from 1910 for gasoline, 1917 for autos, 1922 for tires, 1925 for tractors, and 1927 for trucks, as in the old index.

The following items are now included in the prices paid part of the parity index:

COMMODITIES USED IN LIVING

Food and tobacco: Sugar, table sirup, hard candy, white bread, flour, baking powder, corn meal, rolled oats, soda crackers, macaroni, corn flakes, wheat flakes, rice, round steak, hamburger, sliced bacon, whole ham, pork chops, pork sausage, salt pork, bologna, canned salmon, butter, American cheese, evaporated milk, fluid milk, eggs, potatoes, dry beans, cabbage, lettuce, fresh tomatoes, canned

corn, canned peas, apples, bananas, lemons, oranges, grapefruit, lard, vegetable shortening, salad dressing, peanut butter, margarine, coffee, tea, cigarettes, smoking tobacco.

Clothing; Men's clothing: Overalls, cotton work shirts, undershirts or shorts, heavy cotton union suits, canvas gloves, cotton socks, cotton trousers, broadcloth shirts, wool jackets, wool suits, wool trousers, overcoats, felt hats, leather jackets, work shoes, knee-length rubber boots, dress shoes, overshoes.

Boys' clothing: Overalls, wool suits, wool sweaters, shoes.

Women's clothing: Percale house dresses, cotton street dresses, cotton nightgowns, cotton hose, lightweight coats, coats (fur trimmed), coats (no fur), wool sweaters, felt hats, rayon dresses, step-ins or panties, rayon slips, nylon hose, straw hats, shoes. *Girls' clothing:* Wash dresses, heavy coats, shoes. *Yard goods:* Percale, gingham.

Household operations: Prepared-size soft coal, run-of-mine soft coal, hard coal, kerosene, gasoline, wood, electricity, telephone, newspapers, laundry starch, laundry soap, toilet soap.

Autos and auto supplies: De Luxe Ford, Custom De Luxe Ford, Special Chevrolet, De Luxe Chevrolet, De Luxe Plymouth, Special De Luxe Plymouth, Special Buick. Gasoline, oil, 6.00 x 16 tires, 6.00 x 16 tubes, storage batteries, spark plugs, tire chains.

Household furnishings: Bedroom suites, metal beds, bed springs, living room suites, occasional chairs, dining-room suites, floor lamps, battery-operated radios, electric radios, kitchen cabinets, electric refrigerators, coal or wood stoves, gas stoves, electric stoves, kerosene stoves, electric washing machines, gasoline washing machines, copper-bottom wash boilers, electric irons, vacuum cleaners, brooms, dinner plates, water glasses, fruit jars, electric sewing machines, foot-operated sewing machines, Axminster rugs, felt-base rugs, inner-spring mattresses, all-felted mattresses, sheets, wool blankets, cotton blankets, comforters, bath towels, bleached toweling, muslin, curtains.

House building materials: 2-inch by 4-inch by 16-foot framing, rough boards, dressed boards, shiplap, drop siding, bevel siding, wood shingles, yellow pine flooring, fir flooring, doors, windows, nails, galvanized screen wire, galvanized steel roofing, composition roofing, gypsum boards, asphalt shingles, insulating boards, portland cement, concrete blocks, common brick, house paint, linseed oil.

COMMODITIES USED IN PRODUCTION

Feed: Alfalfa hay, other hay, corn, oats, barley, wheat, cottonseed meal, soybean meal, meat scrap, tankage, bran, middlings, mill run, corn meal, corn gluten, hominy feed, scratch grain, laying mash, starter mash, under 29 percent protein mixed dairy feed, 29 percent protein and over mixed dairy feed, stock salt.

Livestock: Stocker and feeder cattle and calves, stocker and feeder lambs, stocker and feeder hogs, dairy cattle, baby chicks, turkey poults.

Motor vehicles: De Luxe Ford, Custom De Luxe Ford, Special Chevrolet, De Luxe Chevrolet, De Luxe Plymouth, Special De Luxe Plymouth, Special Buick, 1½-ton Ford truck, 1½-ton Chevrolet truck, International Pick-up truck, wheel tractors (under 20 belt horsepower), wheel tractors (20 to 29 belt horsepower), wheel tractors (30 and more belt horsepower), crawler tractors.

Motor supplies: Gasoline for automobiles and trucks, gasoline for tractors, kerosene, distillate, motor oil, grease, auto tires, inner tubes, truck tires, tire chains, storage batteries, spark plugs.

Farm supplies: Axes, hammers, 3-tine pitchforks, 4-tine pitchforks, hoes, scythes, hand sprayers, milk cans, milk pails, coal-burning brooders, oil-burning brooders, electric brooders, manila rope, binder twine, veneer bushel baskets, leather horse collars, lead arsenate, paris green, calcium arsenate, electricity.

Farm machinery: 1-bottom tractor plows, 2-bottom tractor plows, 3-bottom tractor plows, single disk harrows, tandem disk harrows, spike-tooth harrows, 2-row tractor cultivators, manure spreaders, 2-row corn planters, 12-tube grain drills, 20-tube grain drills, 5-foot mowers, tractor mowers, side-delivery hay rakes, hay loaders, 12-foot cut combines, 5 to 6 foot cut combines, corn binders, corn picker-huskers, ensilage cutters, grain binders, grain threshers, hammer mills, 500-pound capacity cream separators, 750-pound capacity cream separators, milker outfits, farm trucks, farm wagon spray outfits, gas engines, electric motors.

Fertilizer: Mixed, 2–12–6, 3–12–6, 4–12–4, nitrate of soda, ammonium sulphate, superphosphate, muriate of potash, agricultural limestone.

Building and fencing materials: Framing lumber, rough boards, dressed boards, shiplap, drop siding, wood shingles, barn windows, nails, house paint,

linseed oil, portland cement, common brick, composition roofing, galvanized roofing, asphalt shingles, 2-point barbed wire, 4-point barbed wire, poultry netting, wood posts, steel posts, farm gates, woven wire, windmills, galvanized-iron pipe.

Seeds: Potatoes, soybeans, cowpeas, hybrid corn, open-pollinated corn, oats, barley, wheat, rye, common alfalfa, improved variety alfalfa, red clover, sweet clover, alsike clover, Korean lespedeza, timothy, Kentucky bluegrass, common ryegrass, Sudan grass, Austrian winter peas, hairy vetch.

PARITY RATIO

The index of prices received by farmers is a measure of the price level of all agricultural commodities. Similarly, the index of prices paid by farmers, including interest, taxes, and wage rates (the parity index), is a measure of farmers' living and production expenses. Another measure—a measure of relative prices—is provided by expressing the index of prices received as a percentage of the parity index. This measure is called the "parity ratio."

TABLE 10.—*Index numbers of prices paid by farmers, including interest, taxes, and wage rates (the parity index); index numbers of prices received by farmers; and the parity ratio, United States, 1910–49*

(1910–14=100)

Year	Index of—		Parity ratio[2]	Year	Index of—		Parity ratio[2]
	Prices paid, including interest, taxes, and wage rates (the parity index)	Prices received by farmers[1]			Prices paid, including interest, taxes, and wage rates (the parity index)	Prices received by farmers[1]	
1910	97	103	106	1930	151	125	83
1911	98	95	97	1931	130	87	67
1912	101	99	98	1932	112	65	58
1913	101	101	100	1933	109	70	64
1914	103	102	99	1934	120	90	75
1915	105	99	94	1935	124	109	88
1916	116	119	103	1936	124	114	92
1917	148	178	120	1937	131	122	93
1918	173	206	119	1938	124	97	78
1919	197	218	111	1939	123	95	77
1920	214	212	99	1940	124	100	91
1921	155	124	80	1941	132	123	93
1922	151	131	87	1942	152	158	104
1923	159	142	89	1943	170	192	113
1924	160	143	89	1944	182	196	108
1925	164	156	95	1945	189	206	109
1926	160	146	91	1946	207	234	113
1927	159	141	89	1947	240	275	115
1928	162	149	92	1948	259	285	110
1929	160	148	92	1949	250	249	100

[1] Including subsidy payments October 1943 to June 1946.

[2] Ratio of index of prices received to index of prices paid, including interest, taxes, and wage rates. This parity ratio will not necessarily be identical to a weighted average percent of parity for all farm products, largely because parity prices for some products are on a transitional basis.

If the index of prices received is higher than the parity index, the parity ratio is above 100; that is, prices of agricultural products average "above parity." Conversely, when the index of prices received is below the parity index, the parity ratio is below 100, which is another way of saying that prices of agricultural products average "below parity."

Table 10 shows the relationship between the two indexes. It will be noted that the index of prices received, the parity index, and the parity ratio average 100 for the 1910–14 base period. This base period was selected because it was free from major economic and political disturbances, agriculture and the nonagricultural industries were relatively prosperous, price levels were relatively stable throughout the period, and prices of most major products farmers sold were considered to be in a fair relationship to prices paid by farmers. The relationship between the two indexes, shown by the parity ratio, reflects the high prices during World War I, the sharp drop from 1920 to 1921, the severe economic depression of the early 1930's, and the relatively high prices—stimulated by World War II—of the 1940's.

THE SUPPLY PROGRAM

The Department of Agriculture, after passage of the Lend-Lease Act in March 1941, was given the emergency assignment of procuring large quantities of food and other agricultural commodities for the British Government. With the entry of this country into the war in December 1941, operations were expanded to include procurement for the Allies, the armed forces, and, to some extent, civilians of the United States. Since the end of the war, the Department's Commodity Credit Corporation, using the personnel and facilities of the Production and Marketing Administration, has continued procurement operations to meet urgent requirements abroad. Supply-program purchases totaled $1,069,000,000 during the fiscal year 1949.

In the main, procurement operations of the CCC under its so-called supply program fall into four general categories: (1) Procurement for other Government agencies, principally the Economic Cooperation Administration, which is in charge of the European Recovery Program (the Marshall Plan), and for the Department of the Army, which administers civilian-feeding programs in occupied areas of the Far East; (2) some procurement for foreign governments; (3) procurement for international relief organizations, such as the International Children's Emergency Fund and the Red Cross; and (4) procurement or aiding in procurement of supplies and facilities needed by farmers to facilitate production and marketing of agricultural commodities.

The following discussion shows how the CCC's supply program fits into the over-all agricultural export program carried on by the United States.

PROCUREMENT

The procurement of agricultural commodities for supply purposes is handled by (1) the commercial export trade, and (2) the Government. Government procurement, in turn, is handled largely by the Commodity Credit Corporation.

In making its purchases under the supply program, the CCC utilizes the personnel and facilities of the Production and Marketing Admin-

istration. The CCC, with the cooperation of PMA, also handles shipping and storage functions from interior points to seaports, utilizing facilities of private trade, and assists in arranging for ocean transportation in a few instances.

FINANCING

The CCC carries on all its supply operations on a "cash-and-carry basis." When the CCC buys on behalf of foreign governments, the foreign governments deposit funds in advance to assure payment. When the CCC buys for the Department of the Army or the Economic Cooperation Administration, those agencies reimburse the CCC through a transfer of funds. Thus, the CCC sustains no net losses on its supply program as a whole.

RELATIONSHIP BETWEEN SUPPLY PROGRAM AND PRICE PROGRAMS

The supply program, of course, is not a price program of the Department of Agriculture. The fundamental purpose of the program is to meet urgent requirements from abroad for food and other agricultural commodities—not to support or enhance prices. This was demonstrated in 1946 and again in 1947 when, with prices received by farmers for most commodities holding well above the parity level, the United States still maintained a heavy volume of exports.

At the same time, the purchase of large quantities of agricultural commodities does affect prices, just as operations under the price-support, section 32, marketing agreement and order, national school lunch, and sugar programs affect prices. Consequently, operations under the supply program must dovetail as closely as possible with operations under the price programs.

The close economic relationship between the supply program and price programs was recognized by Congress in the Foreign Assistance Act of 1948—which authorizes the carrying out of the Marshall Plan. Section 112 (e) of that act provides that—

> Whenever the Secretary of Agriculture determines that any quantity of any surplus agricultural commodity, heretofore or hereafter acquired by Commodity Credit Corporation in the administration of its price-support programs, is available for use in furnishing assistance to foreign countries, he shall so advise all departments, agencies, and establishments of the Government administering laws providing for the furnishing of assistance or relief to foreign countries. . . . Thereafter the department, agency, or establishment . . . shall, to the maximum extent practicable, . . . procure or provide for the procurement of such quantity of such surplus agricultural commodity.

The channeling of many commodities acquired under the price-support program to use under the supply program, however, had been a policy of the CCC prior to passage of the Foreign Assistance Act of 1948.

CONSUMER SUBSIDY PROGRAMS

During the war, and for some time after the war, the CCC made payments on farm commodities or purchased farm commodities for resale at a loss principally to maintain price ceilings established by the Office of Price Administration. These programs enabled the CCC to provide farmers directly or indirectly the additional returns necessary for a high level of production without increasing OPA ceiling prices to consumers and others. The last of these activities,

called subsidy programs, came to an end on October 31, 1947, when price ceilings on sugar were terminated, although claims, refunds, and adjustments continued to be processed by the CCC after that date. (See table 11.)

TABLE 11.—*Amount and nature of subsidy costs, cumulative, July 1, 1941, to June 30, 1949*

Commodity	Cost, July 1, 1941, to June 30, 1949	Nature of subsidy
Milk and dairy products:	*Dollars*	
Dairy production	1, 204, 632, 051	Direct payments to producers on milk and butterfat to compensate for increased costs of feed and farm labor and to maintain OPA ceiling prices.
Cheddar cheese	67, 624, 560	Payments to manufacturers to support OPA ceiling prices and increase production; manufacturer made pro rata distribution to milk producers.
Fluid milk	38, 130, 231	Payments to milk handlers in milk shortage areas in compensation for increased prices paid producers and so to maintain OPA ceiling price.
Total milk and dairy products.	1, 310, 386, 842	
Grain and pulses:		
Wheat—		
For feed	238, 412, 310	Sale of CCC-owned wheat at parity price for corn for use as feed.
For alcohol	22, 700, 000	Sale of surplus wheat at parity price for corn to relieve industrial alcohol shortage.
Total wheat	261, 112, 310	
Beans, dry edible	12, 895, 303	Payments to dealers on eligible beans in an amount equal to the difference by which the applicable support price exceeded the processor ceiling price.
Corn—		
For alcohol	4, 400, 000	Sale of CCC-owned corn at prices based on ethyl alcohol prices to encourage production of industrial alcohol.
Purchase and shelling.	3, 619, 664	To make corn available to manufacturers of essential war materials.
Importation	2, 105, 372	To relieve importers of import duties.
Ceiling price adjustment.	1, 535, 679	To equalize OPA ceiling prices on Midwest and eastern seaboard corn to be used for feed.
Total corn	11, 660, 715	

TABLE 11.—*Amount and nature of subsidy costs, cumulative, July 1, 1941, to June 30, 1949*—Continued

Commodity	Cost, July 1, 1941, to June 30, 1949	Nature of subsidy
	Dollars	
Grain and pulses—Con.		
Millfeed price support.	138, 118	Payments to millers on millfeed to prevent rise in flour and bread prices.
Barley for feed	6, 994	To obtain feed for deficit areas by purchase of malting barley from maltsters and resale at barley feed prices.
Total grain and pulses.	285, 813, 440	
Fruits and vegetables:		
Vegetables for processing.	86, 480, 927	Payments to canners to compensate for increased raw material and production costs and so to maintain OPA ceiling prices.
Fruits for processing.	75, 121, 239	Payments to packers and processors to compensate increased raw material and production costs and so to maintain OPA ceiling prices.
Vegetables, frozen	3, 466, 301	Payments to freezers to compensate for increased raw material and production costs and so to maintain OPA ceiling prices.
Apple freight equalization.	3, 229, 718	Payments to shippers to encourage distribution to deficit areas.
Pear freight equalization.	142, 237	Payments to shippers to encourage distribution to deficit areas.
Total fruit and vegetables.	168, 440, 422	
Oilseeds and products:		
Soybeans	96, 987, 009	Subsidy to processors of soybean oil by purchase and resale operation; purchase at basic support price and resale on oil content values.
Peanut butter	19, 466, 198	To enable OPA to effectuate a reduction in the price of peanut butter.
Vegetable oils and meals.	6, 903, 824	Payments to processors for difference in support price and OPA ceiling to encourage manufacture of meals.
Peanuts	6, 192, 740	Payments to crushers utilizing inferior grade peanuts in conversion to oil.
Shortening	1, 917, 901	Payments to manufacturers of shortening to adjust for increase in cost of drums.
Flaxseed	393, 395	Payments to producers for difference in support price and OPA ceiling prices.
Total oilseeds and products.	131, 861, 067	
Sugar	115, 444, 708	Purchase and sale of Puerto Rican and foreign sugar crops to insure supply; payments to processors and refiners of cane and beets to obtain maximum production; also to encourage equitable distribution by payment of transportation costs.

TABLE 11.—*Amount and nature of subsidy costs, cumulative, July 1, 1941, to June 30, 1949*—Continued

Commodity	Cost, July 1, 1941, to June 30, 1949	Nature of subsidy
Livestock production and meat:	*Dollars*	
Sheep and lamb production.	43, 225, 106	Payments to producers and feeders on a live-weight basis for animals sold for slaughter to encourage feeding to heavier weights
Beef production	36, 876, 851	Do.
Pork production	330	Bonus payments to packers who delivered up to 60 percent of total production to CCC under contract.
Total livestock production and meat.	80, 102, 287	
Beverages:		
Coffee	7, 217, 528	Payment of excess shipping costs to importers over OPA ceiling prices.
Cocoa	101, 939	Do.
Total beverages	7, 319, 467	
Miscellaneous:		
Hay for dairymen	2, 498, 942	To pay cooperatives excess costs over sales prices under a program to move hay for dairy herd feeding to drought-stricken areas.
Phosphate fertilizer.	89, 344	Payments to Agricultural Adjustment Administration for purchase and transportation costs in excess of sales price.
Total miscellaneous.	2, 588, 286	
Grand total	2, 101, 956, 519	

THE COMMODITY CREDIT CORPORATION

The Commodity Credit Corporation was organized October 17, 1933, under the laws of the State of Delaware, as an agency of the United States. From October 17, 1933, to July 1, 1939, the CCC was managed and operated in close affiliation with the Reconstruction Finance Corporation. On July 1, 1939, the CCC was transferred to and made a part of the United States Department of Agriculture. Approval of the Commodity Credit Corporation Charter Act (Public Law 806, 80th Congress) on June 29, 1948, established the CCC—effective July 1, 1948—as an agency of the United States Government under a permanent Federal charter; Public Law 85, Eighty-first Congress, amended the Federal charter in several respects.

The Federal charter, as amended, authorizes the CCC to: (1) Support the prices of agricultural commodities through loans, purchases, payments, and other operations; (2) make available materials and

facilities required in connection with the production and marketing of agricultural commodities; (3) procure agricultural commodities for sale to other Government agencies, foreign governments, and domestic, foreign, or international relief or rehabilitation agencies, and to meet domestic requirements; (4) remove and dispose of or aid in the removal or disposition of surplus agricultural commodities; (5) increase the domestic consumption of agricultural commodities by expanding or aiding in the expansion of domestic markets or by developing or aiding in the development of new and additional markets, marketing facilities, and uses for such commodities; (6) export or cause to be exported, or aid in the development of foreign markets for, agricultural commodities; and (7) carry out such other operations as Congress may specifically authorize or provide for.

The amendment to the charter authorizes the CCC to acquire personal property, to rent or lease necessary office space, and to acquire real property to provide adequate storage to safeguard the CCC's financial interests if privately owned storage facilities in the area concerned are not adequate—but no refrigerated cold-storage facilities may be constructed or purchased except with funds provided by Congress for that specific purpose. The amendment also authorizes the CCC to make loans to grain growers needing storage facilities. The amendment, furthermore, authorizes the CCC to accept strategic and critical materials produced abroad in exchange for agricultural commodities acquired by the CCC.

In carrying on the purchasing and selling of agricultural commodities (except sales to other Government agencies), and in the warehousing, transporting, processing, or handling of agricultural commodities, the CCC must, to the maximum extent practicable, use the normal channels of trade.

The CCC is managed by a board of directors, consisting of six members, in addition to the Secretary of Agriculture who is an ex officio director and chairman of the board. Members of the board other than the Secretary of Agriculture are appointed by the President of the United States with the advice and consent of the Senate.

In addition to the board of directors, the law makes provision for an advisory board of five members who reflect broad agricultural and business experience. Not more than three members of the advisory board may be members of the same political party. The advisory board meets not less often than once every 90 days to survey the general policies of the CCC.

The CCC may, with the consent of the agency concerned, accept and utilize, on a compensated or uncompensated basis, the officers, employees, services, facilities, and information of any agency of the Federal Government. (In carrying on its operations, the CCC carries out its activities through the personnel and facilities of the Production and Marketing Administration.)

The total of all money borrowed by the CCC, and obligations to purchase loans held by lending agencies, must not exceed $4,750,000,000 outstanding at any one time. The CCC is capitalized at $100,000,000.

The CCC is carrying on five major programs in the fiscal year 1950—the price-support program and the supply program (operations of which have been described in earlier chapters of this publication);

a commodity export program devoted principally to payments of subsidies incurred under the International Wheat Agreement; a foreign purchase program, under which needed commodities are purchased from foreign sources primarily for the Department of the Army and for the Economic Cooperation Administration; and a storage facilities program, through which the CCC acquires storage facilities needed to care for grain delivered in settlement of loans made to producers.

Of the net operating loss of $599,505,171 incurred during the fiscal year 1949, $429,754,997 was charged to the Reserve for the Postwar Price Support of Agriculture and $471,046 was recovered from the Secretary of the Treasury under Public Laws 389 and 393—80th Congress. This left a loss of $169,279,128 which was transferred to deficit.

Net realized losses on the price-support program for the fiscal year 1949 totaled $254,761,994. (See table 3.)

THE PRODUCTION AND MARKETING ADMINISTRATION

The Production and Marketing Administration (PMA) was established in 1945 by bringing together 12 separate Department of Agriculture agencies handling certain activities in the production and marketing field.

Current activities of PMA fall into two general categories: (1) Price and supply programs, and the agricultural conservation program; and (2) marketing service, regulatory, and research programs.

Price and supply programs have been discussed in considerable detail in earlier chapters of this publication.

The agricultural conservation program, carried on under authority of the Soil Conservation and Domestic Allotment Act of 1935, authorizes payments to farmers for carrying out essential conservation practices. Such practices include seeding pastures and range land; building dams and terraces; planting green manure or cover crops; applying fertilizer and lime; strip cropping; and plowing on the contour. The appropriation for the agricultural conservation program in 1950 is about $285,000,000, the Government's contribution being limited to a maximum of $2,500 per farm. County PMA committees administer the program locally.

Marketing service programs include activities such as the formulation of United States standards for grades of farm commodities; inspection, grading, and classing; and market news.

United States standards for grades, such as U. S. No. 1, U. S. Good, U. S. Grade A, have been developed for most of the important farm commodities to provide a common language of quality for buyer and seller. Some standards are mandatory, such as those that apply to grain and cotton moving in interstate commerce, to apples and pears for export, to tobacco sold on designated markets, and for products stored under authority of the United States Warehouse Act. Use of most of the standards, however, is permissive.

Impartial application of the standards to actual farm commodities is provided through PMA's grading, inspection, and classing services. These services are handled by (1) PMA employees; (2) Federal-State employees working under PMA's supervision; and (3) licensed individuals working under PMA's supervision.

PMA administers a number of regulatory statutes, which fall into three general classes. In one class are such statutes as the Packers and Stockyards Act and the Perishable Agricultural Commodities Act, under which certain business practices of dealers in farm commodities are regulated. A second class includes such truth-in-labeling statutes as the Federal Seed Act and the Insecticide, Fungicide, and Rodenticide Act. A third class deals with the mandatory inspection laws, such as the United States Grain Standards, United States Cotton Standards, The Naval Stores, and The Tobacco Inspection Acts.

PMA's Nation-wide market news service collects timely, unbiased information on supplies and prices of farm products and provides widespread dissemination of this information through newspapers, radio stations, and printed reports.

Research is carried on by PMA to study ways and means of improving storage and transportation facilities, developing new uses for farm products, revising standards for grade, expanding market outlets, and bettering the marketing system generally. Under authority of the Research and Marketing Act of 1946, PMA—often in cooperation with other Federal, State, and private agencies—pursued about 150 separate lines of investigation in 1949. In addition, PMA carried on a rather heavy schedule of research with regularly appropriated funds.

ORGANIZATION

The Administrator of PMA is assisted by a Deputy Administrator and four Assistant Administrators—for Production, Marketing, Commodity Operations, and Management.

Nine commodity branches are responsible for all activities having to do with assigned commodities—Cotton, Dairy, Fats and Oils, Fruits and Vegetables, Grain, Livestock, Poultry, Sugar, and Tobacco.

Several branches handle specific functions and services. These are the Agricultural Conservation Programs Branch, Fiscal Branch, Food Distribution Programs Branch, Information Branch, Marketing and Facilities Research Branch, Price Support and Foreign Supply Branch, and the Transportation and Warehousing Branch.

Offices responsible for certain administrative and staff functions are Office of Administrative Services, Office of Audit, Office of Budget, Office of Compliance and Investigation, and Office of Personnel Services.

PMA State and county committees are a key part of the PMA field organization. They advise on program development and are responsible for local administration of such national programs as agricultural conservation; production goals; adjustment—including acreage allotments and marketing quotas; price-support and related CCC operations as assigned; Sugar Act payments; and other operations that require direct dealings with farmers.

There are also PMA commodity offices in a number of cities to handle various transportation and warehousing, fiscal, and commodity procurement and merchandising functions. In addition, most of the commodity branches, as well as several of the other branches and offices, have field offices to facilitate program operations.

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